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## ***HOUSING, BIG BUILD AND MANUFACTURING SUBCOMMITTEE***

**Members present:**

Mr CG Whiting MP—Chair  
Mr MA Boothman MP  
Mr DJ Brown MP  
Mr MJ Hart MP  
Mr LP Power MP (substituting for Mr D Brown)

**Staff present:**

Ms S Galbraith—Committee Secretary  
Dr V Lowik—Assistant Committee Secretary  
Ms A Bonenfont—Assistant Committee Secretary

### **PUBLIC HEARING—INQUIRY INTO THE MANUFACTURED HOMES (RESIDENTIAL PARKS) AMENDMENT BILL 2024**

#### **TRANSCRIPT OF PROCEEDINGS**

**Friday, 26 April 2024**

**Logan**

## FRIDAY, 26 APRIL 2024

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### **The subcommittee met at 9.32 am.**

**CHAIR:** Good morning. I declare open this public hearing for the committee's inquiry into the Manufactured Homes (Residential Parks) Amendment Bill 2024. My name is Chris Whiting. I am the chair of the committee and the member for Bancroft. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past and present. Other members with me here today are Don Brown, the member for Capalaba; Michael Hart, the member for Burleigh; and we will soon be joined by Mark Boothman, the member for Theodore, who is substituting for the member for Lockyer today. We will also be joined later by Linus Power, one of our local members, the member for Logan, as a substitute for Don Brown.

This hearing is a proceeding of the Queensland parliament and is subject to the parliament's standing rules and orders. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence. There will be an opportunity at the end of the hearing for individuals wishing to have their say to come forward and speak to the committee. For those wishing to speak, please provide your name to the secretariat. I also remind members of the public that they may be excluded from the hearing at the discretion of the committee. These proceedings are being recorded and a transcript of these proceedings will be available on the committee's webpage in due course. Media may be present and are subject to the committee's media rules and the chair's directions at all times. You may be filmed or photographed during the proceedings and images may also appear on the parliament's website or social media pages. I ask you to turn your mobile phones off or to silent mode and your computers on to silent mode as well.

**MARSHALL, Dr Roger, President, Queensland Manufactured Home Owners Association**

**WRIGHT, Mr Noel, Member, Queensland Manufactured Home Owners Association**

**CHAIR:** I now welcome representatives from the Queensland Manufactured Home Owners Association. I invite you to make an opening statement, after which we will have some questions for you.

**Dr Marshall:** Thank you and good morning. Our association is a membership association. We currently have 48 financial association members, or home owner committee members, and just about 1,100 individual residents who are members as well around the state. We think that we represent, particularly through the home owners association members, something around 15,000 or 16,000 home owners in the parks. Our association has been very strongly involved since 2017 in advocating for changes to the manufactured homes act since the last time it was amended. We have been very active in consulting with people like yourselves and with the minister and with the department of housing in the process of coming to this.

Our association believes that, if passed, this legislation will go a long way to addressing some of the concerns that home owners have, particularly around site rent increases and the sale of homes. However, as you have seen from our submission, we have a number of aspects of it that we think could be improved. In respect of site rent increases, there are three longstanding areas of concern that we would like to draw your attention to and highlight today and, if possible, discuss a little bit further after we have finished speaking.

Our first area of concern relates to the increase in site rent consistently being what we believe is well in excess of what is needed to cover the increases in the costs of operating a park. The removal of market rent reviews and limiting of the level of increases will help in this, we believe, but we are disappointed that our suggestion for a more specific linking between the rising costs and the indexing through a residential parks cost index to be used instead of CPI was not taken up in these proposals.

Our second area of concern is that site rent increases consistently exceed increases in the age pension and the incomes of many self-funded retirees. We see the mandating of the use of the weighted eight capital cities' CPI as a means of addressing this, and it will help. However, we have to point out to the committee that if CPI stays in the federal government's target range of between two per cent and three per cent then home owners whose rents are being capped will be forced to pay increases, perhaps year on year compounding, that are in excess of the increases in their income and consequently that will have a big impact on their wellbeing, particularly the ones on lower incomes and the age pension. We urge the committee to give serious consideration to lowering this 3.5 per cent element of the increased cap to somewhere in the region of 2.5 per cent which is the middle of that range.

Our third area of concern relates to the declining level in the quality of services and facilities in many parks even though site rents are increasing. Again we see potential here, and we have advocated strongly, for measures like the park comparison documents and the maintenance and capital replacement plans as ways of addressing this, but the extent to which it is going to be effective is not all that clear to us at the moment because there is a lack of detail on that. We have particular concern though with something that is in the bill because it seems to us that home owners will not be involved in the development and reviewing of these plans—they will simply be given them once they are completed—and nor will the extent to which the plans are being implemented by park owners be considered in determining whether site rent increases are appropriate or necessary. We feel that that is a bit of a deficiency in what is there at the moment.

There is one other serious matter that we would like to highlight and comment on before we finish our opening address. Park owners and their peak bodies have made extraordinary claims, we believe, in their submissions to this committee. We are sure that today they will be repeating their doomsday predictions by claiming that investors will flee from the lucrative business model if the changes proposed in the bill are enacted. Our association rejects outright these assertions. We see them as being self-serving, disingenuous and without any real foundation. We strongly believe that park owners will continue to earn good profit margins that would be the envy of most other businesses. We and several of our members have canvassed and expanded upon our beliefs on this in our submissions.

We have always been hampered by a lack of transparency on what the costs of a park are, and that holds us back, but we have a pretty good idea. Some of the submissions I think you have had from some of our parks have some fairly detailed views on ours. We have not seen any figures from park owners in the last seven years on that matter. It is our view that there are indeed threats—and I think this is a serious matter we should talk about—to the future of the industry and they are much more worrying to us than the viability of the business model and we would really like to discuss them further. If we had more than three minutes we would talk to you about it now. I will wind it up now. Thank you for the opportunity to open up this address and to speak to the committee on behalf of not only our 16,000-plus members but also the 38,000 to 40,000 people who live in parks, because we consider ourselves to be representing them—everybody. We look forward to answering your questions.

**CHAIR:** Thank you very much, Roger. Firstly I want to congratulate you on the quality of your submission. It is a very well-written submission. Thank you for all the years of advocacy work that you have done in depth on these issues. Could you describe some of the work that you have done with departmental people in representing the home owners?

**Dr Marshall:** We are in partnership with the government, other organisations and stakeholders in the industry in the Building Consumer Confidence Initiative. That means that we visit a lot of parks. I myself have been to about 10 parks in the last month and Noel has been to a number of parks too in that time. We are regularly visiting parks. We see ourselves as being a good conduit to the government of what the views of home owners in parks are. As I said before, we pride ourselves on the extent to which we keep up to date with the developments in the industry and particularly the extent to which we know the legislation. We have an education and assistance program which helps park owners to do that. That is one of the things we do. In doing that, we have consistently consulted with the department of housing. We sit on two working parties in the department. One is the Manufactured Homes Residential Parks Stakeholder Working Party. We meet regularly with the government, home owner peak bodies and other stakeholders on that. We are also part of the 'Right Where You Live' steering committee for the Building Consumer Confidence Initiative. We work with them on that.

We have been closely involved in the consultation. When it came to the issues paper and the surveys, we helped the department in reaching out to members and getting the participation they did. We gave an even longer submission on the issues paper under the CRIS, the consultation regulatory impact statement, and we had long discussions. We also played a big part in working with departmental officials. I would like to compliment the departmental officials. They have collaborated extremely well with us and have been very helpful to us. Does that answer your question?

**CHAIR:** Yes, very much so. The work you have done on this is quite extensive. If we have time, we will come back to those threats to viability that you talked about. There were some things in your submission that jumped out about what was left out of the bill. I would like to hear more about them—a registration system for homes, an updated or contemporary definition of manufactured homes and prevention of retirement village style exit fees. There are three things there. Could you talk a bit more about them and why they are important?

**Dr Marshall:** We considered the registration of ownership of homes as being significant. For most of us living in parks, this is our biggest asset. It is the biggest part of our wealth. For some of us, it is just about all of our wealth. There is no official title in the same way that there would be for owning other property, particularly the land titles register. There is even the registration of ownership of our cars. There is proof that we own them. There is limitation in that a big impact of it is that we cannot use our homes as equity to raise loans. We are not part of the federal government's Home Equity Access Scheme. We do not have access to that. There are two things: first of all, we do not have legal proof of the ownership of our home; and, secondly—what was the second one?

**CHAIR:** The second question was about an updated or contemporary definition of manufactured homes.

**Dr Marshall:** The definition of manufactured homes does not help with that either. We were disappointed that the registration of homes did not come in. The definition of a manufactured home is mentioned in the DIAS. It basically says that it was left out because there could be unforeseen consequences of doing that. We have had no explanation as yet as to what they are. We would really like to know what they are. We do not want unforeseen consequences obviously. It is something that we believe is worth considering in the future. We do not recommend doing it now if there are problems there. We would like to see both of those actions in the future.

**CHAIR:** The other one was retirement village style exit fees.

**Dr Marshall:** The advertising for life in these communities is that there are no entry and exit fees. However, we are aware that in a number of parks the park owners have found ways of imposing fees that look and feel like exit fees under other titles. The Regulatory Services unit within the department of housing have told us that they have looked into that because it has been raised with them. They have told us that there are loopholes that allow them to do that the way that they have gone about doing it. Legally what they are doing is allowable. We felt that that should be tightened up in this bill, and it has not been.

**CHAIR:** Thank you. I have some other questions but I will go to the member for Burleigh first.

**Mr HART:** Roger, it is good to see you again. I congratulate your association on the amount of work that you do representing the people you represent.

**Dr Marshall:** Thank you.

**Mr HART:** We have had numerous conversations over the years. Roger, can you give us some feedback on how your members feel about the flow through of electricity and water costs and whether they think they are fair?

**Dr Marshall:** It varies from park to park because there are different arrangements in different parks. There are a number of concerns that arise about the way it is done in different parks. It comes up quite frequently as an issue before us. The details of the problems always seem to be different in different parks.

There is one issue though that is of concern across a lot of parks—and it has been raised a number of times with me in the last month—and that is the limitations in many parks for home owners to put solar on their roofs. They get told that there are infrastructure problems which prevent them doing that. This seems to be the case particularly in parks where there is a communal electricity network. It also applies in some parks including mine—the one where I live—where I have my own account with the electricity company. I have solar on my roof. It has been there for a number of years. There were no problems with having it installed, but currently home owners in my park are being told that they cannot install them.

Again, there is a lack of transparency. We do not have answers or reasons for that that satisfy us. We do feel that if there are problems with infrastructure, particularly with electricity costs being such a big part of the increase in the cost of living, things should be done to ensure that home owners in parks do have that access.

**Mr HART:** With regard to site agreements, is it typical for a park to have one site agreement for everyone or does everyone have a site agreement?

**Dr Marshall:** It is not only not typical but it would be very unusual I think for site agreements to be the same in every park. In my park some of the site agreements go back a long way. The park is 27 or 28 years old. Some of the agreements go back that far. They have been changed considerably in that time. Some of the changes have been necessary as a result of the legislation, but the new site agreements seem to be different all the time.

One of the concerns that we have in the bill with the new requirements for the sale of homes has been the tendency for two big things to happen when a new person moves into the park: park owners seem very keen on creating new site agreements with a different site rent—a higher site rent; and another concern is that the services offered can vary and change and usually become less.

**Mr HART:** In your submission you talk about the availability of someone who is selling their home to transfer their site agreement to the new people coming in.

**Dr Marshall:** That is part of the existing legislation. It is called assignment of a site agreement. Although that has been there, it has not been easy for people to do that and it is not being used. The new provisions are meant to take some of the best parts of that and put them into the new arrangements, I believe. We have one concern about that though. We are concerned about the ability of park owners to set new site rents in agreements. Things like the utilities and the services that are offered in the site agreement will go from one site agreement to the next when people sell their homes. We can see why that would be the case. However, we would point out that, if the new site rent went really quite high—and there is no limit on it at the moment in the legislation—that impacts on the ability of the home owner to sell their property. The property belongs to them. A much higher rent than any other existing rents in the park could dissuade people from buying their home. That would really impact on them. We have recommended in our submission, as you have probably seen, that there should be some sort of reasonableness clause built into that, perhaps linking it to the existing highest rents in the park or something like that.

**Mr HART:** When you have issues with these sorts of things and you take it up with the Regulatory Services unit, what sort of response do your members get? How long does it take?

**Dr Marshall:** The feeling that we get from our members is that they are disappointed. I think sometimes they do not realise the constraints that are on the Regulatory Services unit in terms of the legislation. They are generally disappointed. We very often get people telling us—and we have told the Regulatory Services unit, so they know this—that the Regulatory Services unit is not really helping them a great deal. That is the feeling that is there in the parks. As I said, we have discussed that a lot with the people in the Regulatory Services unit. We have a very good relationship with them ourselves. They point out to us—and I believe there is at least one of them here today if you want to ask him—that they have real constraints on what they can do. Where there are penalties in the act, they can officially take actions against them. However, they have to do that through the Magistrates Court and that requires a very high level of evidence. It is also a very difficult process for them to go through.

**Mr HART:** It sounds like you have gone through quite a bit of consultation and discussion with the department and the government. Is what you see in this bill what you thought was coming or is it something different?

**Dr Marshall:** It is certainly what we thought was coming. As you know, there has been a consultation regulatory impact statement. These proposals were just about all in there. There is not a lot that is different. For the last 12 months we have known that this is what has been coming. Is it what we wanted? No, it is not. It is far from what we wanted. The last time I saw you, Michael, was before the last election. We were saying then that we would like a root-and-branch review of the act. We still think there is a place for that because some of these other concerns that we have are not addressed in this bill. There is one really big area that is not addressed in this bill that we are very disappointed is not being done in this term of government because it was in the strategic action plan for the department of housing, and that is about the way that disputes are managed.

**Mr HART:** I would like to hear about the risks but hopefully somebody else will ask that question.

**Mr BROWN:** Thank you for taking the time to come here and make a submission and also for your written submission. In your submission you talk about being supportive of the buyback, but you suggest some changes. Can you expand on that and how did you come to that point?

**Dr Marshall:** Yes. The buyback is such a long process, isn't it? First of all, the buyback is only for vacant homes. So a house becomes vacant. If it is vacant for six months then you can decide whether you want to get into the buyback scheme. The house also must be for sale by the park owner. After a further six months—so after 12 months—you can get a 25 per cent reduction in rent. So you have been paying full rent for 12 months. Although the house is still there, the rates still have to be paid and things like that, none of the communal services are being used. Then after another six months—so after 18 months—it comes to a negotiated buyback. That just seems a long time to us. That is what people say to us. It is a long time. Continuing to pay full site rent when no-one is occupying the home with no discounts from the start are things that people bring up with us.

**Mr BROWN:** Noel, do you want to add to that?

**Mr Wright:** Just very quickly. It is all so complicated. It is not a simple process. To opt in after it has been listed for sale for six months—this is perhaps in the event of a deceased estate in terms of how the executors or the family are aware of what the process is to get involved into this buyback scheme—I think there needs to be something so that when the sale is first promoted this information becomes available to the seller.

**Mr BROWN:** In relation to the dispute resolution clauses, were you putting forward empowering committees more under the act? Is that what you are looking for with regard to resolving disputes in a more timely fashion on a more collective basis than it going to QCAT?

**Dr Marshall:** The process at the moment is a long, drawn-out process. I was talking to a householder this morning who I have known for a number of years. He has a QCAT case which is coming up to a hearing four years after it was started. That is one of the big things about it. We are aware that under the current legislation there are limits on what home owner committees can do in terms of bringing cases to QCAT on behalf of the park, so that is one thing we think should be looked at. The whole process at the moment of dispute resolution is a very long drawn-out one. It is based on the idea that we should try to negotiate a settlement. You actually try to negotiate three or four times before it goes to arbitration. These are very well spaced out. It is very legalistic. There are costs involved for home owners, although if you have a pension concession card you can get some discounts, but if you have 100 people involved you have to get photocopies of all of their cards. It is a long, complicated process before you can get the discounts. There are costs involved. It is extremely legalistic. The feedback we consistently get from people in the parks is that it is not worth trying to go to QCAT. They say, 'It is just too much trouble. We are not going to do it.' What we have is people who feel they are being very unfairly treated, and they have good cases; they just do not pursue justice through the court system.

**Mr BROWN:** Most of the disputes are collective disputes—say, it is a road that has not been upgraded or a pool heater that has broken down or there is mould on the bowls green?

**Dr Marshall:** A lot of disputes apply to more than one person in the park. That is not to say that is all of them. I do not even know whether that is most of them. I do not have that data. Certainly a lot are collective, but there are also some individuals pursuing things as well.

**Mr BROWN:** The sort of feedback that we are getting is that the site manager is receptive but does not have the power to resolve it and therefore the park owner uses them as a blockage towards getting resolution.

**Dr Marshall:** Very often. The park manager is an employee of a bigger company. A lot of the key decisions are not made by the park manager.

**Mr BROWN:** They say, 'I would love to do it, but the owner is not giving me the money.'

**Dr Marshall:** That is what they all say: 'I am on your side, but I am being told I can't do that.' We get told that a lot.

**Mr BROWN:** That is the general feedback we have been receiving on tour.

**Dr Marshall:** Are we going to get back to those points I made?

**CHAIR:** Yes. You talked about threats to viability and risk to the industry or sector as a whole.

**Dr Marshall:** We believe that this industry has a phenomenal part to play in the bigger housing pattern. It has particularly proved itself over the last 20 to 30 years in Australia, and in Queensland, to be a really good option for people on retirement incomes which are low to middle of the range. You can see that by the current demographics that are in the department's survey materials on who lives

there. However, we believe that there are three major areas where that is being threatened, if you like. One is that the costs of homes and site rents are increasing. There are many parks now, particularly a lot of the newer parks, where someone living on an age pension cannot really afford to live there and in some of the parks where people are living on an age pension they are actually being forced to consider selling their homes. I was in Hervey Bay the other day talking to people who actually had their homes on the market because they cannot afford to live there any longer, but they love the village. The cost is one thing.

The other one—and I believe this was brought up very strongly by our members up in Hervey Bay on Monday with you—is that people feel very uncomfortable about the relationships they have with the park management. They talk about bullying; they talk about elder abuse. That is how they are feeling. They are feeling that they are being abused by the way the parks are managed. Usually you go to parks and people say, 'We love living in this kind of community. The community is great but', and the but is always to do with the relationships with the park owners. We have taken that up with the department and the peak body, UDIA, as an issue that we really feel that, as leaders in the industry, we should be addressing, but we also feel that the parliament and government have a role to play in taking a lead on that and saying that something needs to be done about that. Ultimately people will not be attracted to living in these kinds of parks if the parks get a reputation of not treating their residents well.

**Mr BROWN:** Consumers have to have confidence.

**Dr Marshall:** Consumers have to have confidence in the long run. The reputation gets around and they avoid that and find another option. A really good option could be lost as a result of that. There is a third one and it has gone from my mind now and I have not really discussed it with Noel, but I discussed it with my partner this morning.

**CHAIR:** We talked about it being affordable and obviously the relationship between the park owners and the home owners. You will probably think of the third one in a moment.

**Dr Marshall:** I will—as soon as I move away from the table.

**CHAIR:** We have heard in submissions that link between site rents and viability to the park owners, but one link we have not heard too much about is that link between pensions and site rent, and that ties directly into affordability.

**Dr Marshall:** Absolutely.

**CHAIR:** I think that as policy and lawmakers we need to remember that link between pension level and site rents is as important as the link between site rents and long-term viability for the park owner.

**Dr Marshall:** Absolutely. Just a final thing, we have always considered that these communities, where they are communities—we like to think of them as communities rather than businesses. I know they are businesses as well, but essentially they are partnerships. In every park, the investment of the people who own the homes is greater than the people who own the land—financially. They have not only invested their money in it and their wealth in it; they have also invested the rest of their lives into those parks. We would like to see it viable for those home owners in terms of them being able to afford to live there, not only afford to live there but afford to live there without cutting back on other essentials in their lives. Some of my neighbours where I live are cutting back now on medical costs and on their food and social lives in order to be able to keep paying their site rents.

**CHAIR:** Thank you, Noel and Roger, for your presentation today.

**FRASER, Ms Jacinta, General Manager of Operations, GemLife and Living Gems**

**PULJICH, Mr Adrian, Chief Executive Officer, GemLife and Living Gems**

**CHAIR:** I invite you to make a short opening statement and then we will have some questions for you.

**Mr Puljich:** Good morning, committee members. Thank you very much for the opportunity to be able to present today. My name is Adrian Puljich. I am director and CEO of GemLife communities, Living Gems lifestyle resorts and Allira lifestyle resorts. Today with me I have Jacinta Fraser, who is our chief operations officer for those three entities, and together we represent a portfolio of 13,000 homes with 3,303 of those homes currently occupied representing in excess of 5,000 home owners within our communities. We are proud operators. I am a second generation owner-operator. My father joined this sector back in 1982 and saw how hybrid caravan parks were letting down seniors, those who are semiretired and retired and prohibiting them to enjoy their later years of life. We started seeing a transition in the eighties, through businesses such as Living Gems and Palm Lake Resort and others within the sector, to start providing exclusive communities for seniors, those who are semiretired, those who are still working and those who may be fully retired.

I have to say over the years we have seen a massive evolution within the sector with respect to facilities, styles of homes, relationships and the product offering and affordability of the sector in general. With that we have also seen the introduction of new operators to the sector, which is only a good thing because we have seen operators now provide for a myriad of business models—everywhere from the affordable end all the way through to the luxury end. We are well aware that there are diverse prices across various communities. We are seeing manufactured homes being sold in excess of \$1 million, but you also have to consider the facilities on offer and what is being reflected in those types of communities which the market has an insatiable demand for.

Within our communities at the moment, as I sit here today, we have in excess of 520 contract holders who are waiting to find themselves in a GemLife, Living Gems or Allira community and those home owners are well aware of what these communities offer and the differences between land lease communities and retirement villages. There has been such an explosion of these types of communities all around Queensland and, indeed, around Australia. We are one operator—and I am sure others can speak to you in their presentations—that is being enticed to South Australia through the government to provide for communities such as ours in their region as a result of what goes on and how we administer our communities for home owners.

At the end of the day for us as an operator, we want the committee to be fully cognisant of the fact that there is not an us versus them. We are not going through a divorce. We are disappointed that there has been such a silo of 'us and them'—home owners and park owners. We have worked very collaboratively, and I think we heard from MHOA today, the Manufactured Home Owners Association, in terms of the 1,100 members that they represent the fact that there were 2,000 submissions. Our portfolio of communities has in excess of 5,000. There are other operators you will hear from today that have an even greater number of members within their communities. I feel like the silent majority that have chosen to stay silent—and I am sure there are others that may have issues and changes within it—are going to be pulled into a review and changes that will disincentivise park owners moving forward with respect to how we evolve this product.

If this product was so bad and we saw people turn their backs, you would see less and less of these communities start to proliferate through our various suburbs and regions. You would not see government looking at the way in which these communities provide affordable housing. Yes, it is a full spectrum of housing. Not everyone wants to live in a \$400,000 home and, dare I say, not everyone wants to pay more rent. I am sure all of us today do not like what we pay for groceries and do not like what we are paying at the bowser, but they are the realities and market forces drive those outcomes. We as an operator body are not against regulatory tightening with respect to making this industry a more confident and a more certain industry for seniors and vulnerable persons to come into these communities. We see that as a massive selling tool. We do not charge DMF within our portfolio—and we are proud of that fact—and we see that people look to operators such as ourselves for that safety, confidence and value maintenance of their assets. I think that is the important issue that I wish to state.

As a park operator, we present our figures and costs quarterly to our home owner committees. I wish to acknowledge members of our home owner committees from this particular region, both from the Living Gems group and the GemLife group, who are here today and I invite them to express and validate what I say to this committee. We present everything from pencils to pool chemicals to



everything every quarter, so we dispute the fact that we hide our costs and we have been successful in negotiating outcomes with our home owners, because it is a negotiation. We do agree with MHOA that the assets for the home owners are significant. They do invest their lives into these communities—and we support that—but so do we and we provide these communities and maintain these communities to a standard that protects their asset.

There are a number of examples that we can cite—and I know that I am limited for time—that express the capital gains and all sorts of myriad advantages that these communities offer. We still have a large role to play, but why are we not doing it collectively? This view that this is almost like a divorce in that home owners hate what the park owners are doing is a fallacy and I feel like the other 36,000-odd home owners who, according to your CRIS, exist within these communities should be asked more questions. We need to have the committee and other members come out to these communities to actually see what we offer. We respectfully invite you to come out and speak to the majority, get out there, see what is happening within our communities and understand a little bit about why we are growing this space and why we have sought to provide more of these communities and not gone into retirement villages or aged-care facilities. We have sought to continue to provide these communities because society and the broader general community want it.

The other element, I understand, is utilities, water charges and all sorts of things like that. By removing market mechanisms such as the market review, please allow us, for the threshold under section 71, as park owners to be able to recover the justifiable costs. I understand if you want to mitigate and regulate the way in which increases occur—and I am sure my other operators will have views on that today—but allow us to claim back our justifiable costs. If there is a process that we must follow, we will follow that process and if they are not justified they would be refused. We are asking simply for natural justice, just like MHOA are asking for home owners to have natural justice with respect to site rent reviews.

The other incentives that we discuss within our communities are the virtual power plant systems that we created back in the middle of COVID, and at the time we were meant to have premier Palaszczuk come to us at GemLife Bribie Island to unveil that, with us being the private embedded network. We actually provided the first private solution for energy regulation within our communities because the state energy regulator basically said with respect to solar—and I respect MHOA's comments in relation to solar—that park operators who own the electrical infrastructure in the ground are prohibited from exporting or leakage into the state energy regulator's grid. There are two choices: one, we do not allow it; or, two, we turn it off.

Our business went down the alternative route of creating a system called the maestro system which enables us to provide essentially an orchestra, if you will, where as the sun makes its trajectory on a given day we can temper the speed at which that solar produces power so that it does not leak back into the grid. These are the sorts of incentives that we do to promote cost of living. We do not have to do it. It is not our requirement. Energy regulators are responsible to our home owners, as they are responsible to us as a park owner, but they are the types of incentives. I am sure that other operators that speak today will give you other examples of where we are doing things above and beyond just administering a park, just collecting rent or just dealing with issues. I wish to thank you all for the opportunity. I have much to say—I defer you to our submission—and am happy to take questions.

**CHAIR:** Thank you for your detailed submission.

**Mr HART:** Adrian, I certainly did not get the impression from the people who have submitted to us that they are unhappy with living in a park. They all seem to love it. They just seem to have an issue with dealing with management and the cost increases, so that is really what I want to concentrate on. There are a few things you just said then that I might question you about. We heard that that virtual power plant makes a noise. Is that the reality? Is that something that you are aware and are trying to fix?

**Mr Puljich:** On both of those points, firstly, you are right with respect to managing those complaints and triaging to ensure that they are dealt with in a prompt manner, and we believe that there are already considerations within the act. Of course they can get better. We are not sitting here today before you to suggest that the regulations are perfect; they are not. However, our concern is there should be a bipartisan approach between park owners and home owners because, at the end of the day, we live together. We are stakeholders in our communities together. This is not, 'That's their house, use the facilities, go home and I don't want to see you ever again,' because we collectively feel that that is how this is being portrayed. We are not against our home owners. If this were such a horrific horror story, then why is this sector booming? That is the question the committee and the government must ask.

With respect to the virtual power plant, I can answer that question. There are multiple batteries. We have a one-megawatt battery that is making the noise. We are in the process of installing baffle panels around that battery, but that battery has cut the head of the tariff rate from 52 cents down to the low 20s so our residents have a negligible bill of up to \$10 per month. I am not sure if that was explained to you at the time, member?

**Mr HART:** No, I do not remember hearing that. Adrian, one of the things that keeps coming up is that the people who live in the parks think that their manager has no power to achieve an outcome for them at the end of the day. Do your park managers have the power to make a decision about the issues that regularly get raised with them?

**Mr Puljich:** That is a very good question and the short answer is yes. Obviously there are some certain requests that simply cannot be fulfilled. A prime example is pool heating, which I can refer to in one of our parks. Home owners want the pool to be heated to 32 degrees because they feel that 32 degrees is the optimum temperature. Currently the pool is heated to 28 degrees. Increasing the heating is an inefficient use of energy. It does not improve. There is no scientific evidence that supports increasing it from 28 to 32. It will provide condensation to the actual facility and make it almost unbearable to use because of the heat coming off the pool, so that is a simple no. Some people do not like that as an answer and dispute that. They go to other venues where 32 degrees is a normal occurrence. However, due to the nature and design of that particular facility, we are restricted to 28 degrees. That is a prime example where an answer was not satisfactory to a home owner.

On other important matters—and I call them ‘important’ because it is about value, asset retention, maintenance and management of that asset—I struggle to believe that operators do not give their park manager—we certainly do—that liberty and autonomy to make decisions to enable the park to be presented and useable in a certain way. Again, we have a community that is over 40 years of age in Runaway Bay. We have just completed a \$1.2 million upgrade of their swimming pool. We moved it from an outdoor pool to a fully indoor enclosed pool. Again, this was an incentive to promote and value-add to the asset. I gave you that example, but on serious matters of infrastructure we do have to say no to some requests, but on matters pertaining to value I would be very surprised if park operators were turning down negligible matters, and they rightly should be dealt with.

**Mr HART:** When you were talking about working together with the residents in your park, how much further are you willing to go to make that happen? In terms of the people that we are hearing from, I think they would be happy with increases in their site rent if they saw that they were justified. How far would you be prepared to go to ensure that that transparency is there?

**Mr Puljich:** The way in which we manage our site fees, particularly in the market review year, is by having constant face-to-face meetings on a quarterly basis. Jacinta and other members of our operations team will actually meet with the HOCs. Again, members of those HOCs are here today. We maintain a constant presence. They have direct lines. They have my mobile number and email. Obviously you can appreciate that if they do not get the answer they want they do seek to escalate it to other members within the organisation. I believe we should be working with MHOA, with home owners and with government to do this in a bipartisan manner, because as much as they have an asset to protect so do we, and I feel that we are being treated as if this is a divorce whereas this is a harmonic relationship. Again, I ask you to go and survey the balance of people who have chosen not to submit in terms of how they feel about these communities and also the community interest and appetite to live in these communities. I have no issue with MHOA. I think they do a fantastic job. I think all operators see a place for them, but at the same time there is life beyond MHOA. There are people who live in these communities and they will continue to live in these communities, but let us all work together. These reforms are important and should not just be done every few years.

**Mr BROWN:** Obviously there is an issue of supply and demand at the moment that is, I suppose, leading to the ability for you to keep having customers come into your service, but there is also slick marketing. I have done a lot of committee hearings in my nine years and I do not see rooms like this for every piece of legislation. When I went out to the park in Birkdale, and that was just on the discussion paper, I had 90 per cent of people in the 120-odd units come to a meeting, which blew me away. It was a full room. There is a difference between what park owners think they are selling and what these guys end up getting, and this is where the dispute is and this is why we have full rooms here. I do not think you can ignore the will of the people. I am just trying to convey a message that, if park owners and park managers do not keep up their end of the bargain to people in this room, the reforms are just going to keep on coming, because there are a lot more voters than park owners. That is just the feedback I am giving to you.

**CHAIR:** So is it more of a comment than a question?

**Mr BROWN:** Yes, but there is a question. With regard to maintenance—and you talked about the market-led reviews—what are the general costs over the last five years or so that you have seen in keeping up maintenance to the standard that you need? Is it five per cent? Is it six per cent? What is it? Is it above CPI?

**Mr Puljich:** I will defer that our COO. With respect to the statement made, I do not think any operator sees this as a whimsical exercise. Again, we are just as invested as home owners with respect to the review. We are for the tightening of regulation. We see that as a positive for the sector, because we can market that. We are all in favour of providing certainty to incoming home owners whereas others cannot with respect to other alternate seniors living models. We see the benefits of this sector where we can make some of those invisible costs known to the customer. Again, I do not make light of the amount of submitters, but what I do wish to stress is just how many of these home owners actually enjoy living in the facilities, have amazing relationships with park owners and work with their park owners to deliver outcomes.

I do not wish to make light of those who have submitted, but why are we not doing it together? Why are we not sitting in a room together? Why are we in different rooms and throwing mud rather than sitting together in a room and saying, 'Government, let's work together on working towards an amicable solution that preserves our value and, indeed, the value for home owners'? In terms of the costs, I will defer to Jacinta.

**Ms Fraser:** Thank you, Adrian. In response to your query, costs are escalating, just like in modern-day suburbia. As an example, GemLife Bribie Island, which is one of the most luxurious resorts in the GemLife portfolio, had a 17 per cent increase in outgoings in 2022. Due to our wonderful relationships with our home owners, particularly the relationships between the park owner and our home owner committees, we were able to negotiate a much lower increase that year. I think that is really important because I know that there have been some comments relating to unhappy home owners, particularly around your commentary, Mr Hart, about home owners not being satisfied with increases, and Adrian has already touched on this. No-one is, but it is a reality. In 2021, we conducted a market review consultation process with all of our resorts and they were universally unanimously accepted. We have not been to tribunal for many years. I would suggest that 2008 was the last time that we had a tribunal application and a hearing.

**Mr BROWN:** When you are talking about the 17 per cent, is that over one year?

**Ms Fraser:** One year.

**Mr BROWN:** Is that a high example in Hervey Bay or is that a similar figure over your whole portfolio?

**Ms Fraser:** Yes, absolutely similar. Again, we are not talking about the standard facilities that you would have had on offer 30 years ago: we are talking bowling alleys; we are talking golf simulators. Those are what our home owners want and have the luxury of having exclusive access to, and that comes at a price. Even though it comes at a price, we share those wonderful relationships with our home owners and our HOCs. It is not an us and them; it is a partnership. We cannot send them to the wall and they cannot send us to the wall, and that has always been our motto. We have a wonderful arrangement where we negotiate those outcomes more for the betterment of home owners than the park owner.

**Mr Puljich:** If I may just extend on that, in terms of how we view market reviews and what market reviews have meant to us as an operator, we have seen market reviews as a stick, as essentially a way of negotiating from market review to market review with our home owners every step of the way. We do not wait until the leap year within our agreements to go, 'Wham, here's your increase. Take it or leave it, or see you at QCAT.' We take the opportunity to meet every quarter to disclose and declare our costs so that, when it comes time for market review, no-one is being caught off guard and there is no turbulence, animosity or turmoil within the community, because you have spent the last four years formulating fantastic relationships. It is give and take. There are events that you fund—the goodwill elements of it. It is a quid pro quo relationship, and that is all about the basis of maintaining value. We agree with MHOA that we need to maintain the value of the home owners' asset and lifestyles, and the way that we do that is through the management and maintenance of the parks and keeping it to a standard that they bought into.

**CHAIR:** Thank you. We have run out of time for further questions. Thank you very much, Adrian and Jacinta.

**Mr Puljich:** Thank you, Chair and committee.

**CLEMENTS, Ms Amanda, Executive Manager, People and Operations, Palm Lake Group**

**CHAIR:** I now welcome the representative from the Palm Lake Group. Thank you very much, Amanda. As you have seen, I invite you to make a brief opening statement and then we will have some questions for you. Over to you.

**Ms Clements:** Thank you. Good morning, committee members. We appreciate the opportunity to contribute to the discussion. I will just introduce myself first. I have been with the Palm Lake Group for 15 years. I have seen a massive amount of change in that time period. I look after the human resources aspect as well as the operations. From our perspective, whilst we accept that there is legislative change afoot and that there are going to be some changes, we do have a few issues with the bill as it has been proposed.

One of the issues for us is when we were examining the explanatory notes it is quite clear that there was a very small sample used—only five per cent. As Adrian touched on, the fact is that, if you ask people about their site fee increases, nobody wants to pay increases for anything. It is interesting in that if you compare us to the rental market at large I think our increases are very modest. You may already be aware that Palm Lake Group moved away from market reviews many years ago. As part of that process, we have engaged with our home owners to see if they would prefer to change over to the fixed method. Anyone who has been on market has had the opportunity to make that change. A lot of them choose not to. A lot of them like the market reviews because they have the CPI in the intermittent years, which has traditionally been quite low.

The reason we moved away from the market review was for certainty, both for us and for the home owners. The people who have chosen to take that up appreciate that. They know how much their rent is going up every year, so to some degree we do not have an issue with the proposed changes. What I would say, though, is that we do have a lot of older agreements that do have market reviews in their increase methodology and it is very difficult from our perspective to have the legislation reach into those old site agreements and change them.

What is being proposed is that the secondary methodology of CPI be used. It would be our hope that the committee would consider allowing substitution instead. The methodology that is being proposed in the papers is that it will be 3½ per cent or CPI, whatever is the greater. We would ask the committee to consider that, rather than the secondary methodology of CPI being used, we be allowed to substitute market review with the new methodology that is being proposed.

We accept that there is a proportion of pensioners in our resorts. Because we have been running for such a long time, we have also changed our product quite significantly. Some of the older villages have a lot of pensioners in them. I make mention that they receive generous rental allowances to assist with their rent costs. In the new market, which is thriving, as Adrian touched on, a lot of our home owners are self-funded retirees with means. Our new resorts' price points are often in excess of \$1 million.

I would suggest that any commentary around home owners not knowing what they are getting into is just not our experience in any way, shape or form. The home owners in our newer products are certainly well aware of what is in the market. You can be guaranteed that they have researched. They know what our competitors are doing, they have visited plenty of our competitors' products and they have considered alternative models such as the retirement villages model. When they come to our parks, they are well and truly informed. The current legislation allows for disclosure periods and cooling-off periods, and they are also actively encouraged to seek legal advice. So I feel that the current home owners moving into our parks know a lot more than the general public.

I would also say that the home owners in our parks are making some pretty reasonable capital gains on the product. An example that I thought that I would provide is of a home owner who purchased at Palm Lake Resort Caloundra Cay in February 2022. We have just had a resale agreement on our desk this month and their capital gain was \$450,000, so they are making significant gains because our product is good, our product is well maintained and we have good relationships with our people.

I note that the current dispute process has been raised, and I would suggest that it is a pretty reasonable and robust dispute process. I would agree with the commentary around QCAT. When your dispute gets to tribunal, it takes a long time for anything to be heard, and that is frustrating not just for the home owner but also for the park owner. Disputes that get to QCAT level often cause a lot of angst in the village. Generally when they get to that level, it is because you genuinely cannot agree. There are issues that will come up, and site rent is a big one. There are issues that will come up that you generally cannot reach agreement on.

One of the things I did put in my submission is that we would ask that consideration be given by the committee to include similar wording as is in the NSW legislation—that is, if you are entertaining a fixed methodology, which is what is being proposed, then site rent increases can no longer be objected to by home owners. It just allows certainty for all the parties, including the park owners. It is a very difficult process when you are disputing site rents. There is a lot of back and forth. It is a very negative process. No-one really wants to be engaged in that.

In terms of viability, park owners, like any other property owners, are subject to inflationary pressures. We have accountabilities to our lenders. We have running costs, statutory costs, compliance costs and maintenance and capital replacement. Even though a lot of home owners think that we are running away with their money, it is just absolutely not true. I think it is realistic for park owners to be able to make a profit from their asset.

**CHAIR:** We are running out of time, Amanda. If it is okay, we might go straight to some questions.

**Ms Clements:** There are a couple of points I would like to make, if that is okay.

**CHAIR:** Yes. In that case, finish those couple of points before we go to questions.

**Ms Clements:** Yes, okay. There were a couple of other items in the proposed bill that we had some issues with. A significant one is the proposed change to section 63, which details what is an approved way of making a payment. The methodologies include some defunct options such as cheques. I am not sure that banks still allow cheques. Cash is just not something that is widely used, but it specifically excludes the way that most of our home owners pay their site fees, which is direct debit. We see that as significant from a park owner's perspective.

The administration costs that would be incurred if we were to remove that option as an approved method would be very difficult. It would be costly, time consuming and could lead to unexpected consequences—that is, some home owners being in arrears. It is very stressful for them to deal with that. With the very small number of defaults we have now—the breach process, the letters, the follow-up—they find it very stressful. We would ask that direct debit be included as an approved methodology, and that would be the only change. We would still offer other ways for people to make their payments. I will leave it there seeing as though we are running out of time, but I did want to make that point.

**CHAIR:** Thank you for that, Amanda. Just on that option—this came from the QMHOA submission as well—my reading of it is that a variety of payment options are to be allowed instead of saying it is just direct debit that needs to be applied for. I have seen some direct debit audits that have been quite intrusive, shall we say, or all-encompassing for those people who are paying that. We will clarify this, but from my reading a variety of options are to be allowed and not just one particular option.

**Ms Clements:** Yes. If you read section 63, it quite clearly states what an approved methodology is and those approved methodologies are cash, cheque, deposit to a financial institution account nominated by the park owner, credit card, EFTPOS or deduction from pay, pension or other benefit. So that specifically excludes direct debit.

**CHAIR:** We will clarify that.

**Ms Clements:** If we could have that included as an option, we would be grateful.

**CHAIR:** We understand that. That shall be clarified. One of the things you talked about as well was not being able to challenge site fees that increase by a fixed amount, and you talked about certainty. Is that the benefit that we are talking about—that is, certainty to park owners and home owners?

**Ms Clements:** Yes, and I guess it is a trade-off. If you have a fixed methodology rather than a market review, which is an unknown quantity, with market reviews there is already legislation around what needs to be done in terms of consultation, what can be included and, when you get to dispute level, what can be considered by the member. We would like not to get to dispute level. You would think that, if it is a fixed agreement—this is your site agreement which says how much it can be increased by—you would not receive disputes, but we have. When people are disgruntled about other things within the park, they challenge the site fees. We just think that that should be a separate matter if they have issues within the park. We would say to you that certainty for everybody is a good thing and it will free up QCAT members to consider other disputes.

**CHAIR:** Today we heard the sector generally described as a financial partnership between home owners and park owners, and in Hervey Bay it was spoken of as a co-investment. As a reflection of this model, what input do your residents have on capital replacement or maintenance plans? GemLife talked about a monthly meeting, but I do not know what formal or informal mechanisms there are.

**Ms Clements:** No, we do not have formal meetings or monthly meetings. We do communicate with our home owners committee. Sometimes when there is a change in membership of that committee it becomes more problematic. The location also makes it more difficult. We have a secondary level of management. There are the park managers and myself as the head of operations, but we have an in-between level that visits the parks on a regular basis. They consider the presentation of our park, because it is very important to us. I thought it was a great point that Adrian made—that is, it is a partnership in terms of it is their asset and our asset. We both have a view that we want it maintained well. At the resorts manager level, they go and have a look at it on a regular basis to make sure that it is meeting our requirements. We maintain things as they are required. Hervey Bay specifically is a bit difficult because there are some issues there that we do not agree on, but I am certainly not opposed to sitting down and trying to resolve them.

**Mr HART:** Amanda, are your park managers on site?

**Ms Clements:** Yes.

**Mr HART:** Do they have any limits in terms of the issues that they can deal with?

**Ms Clements:** Of course. It would be madness as a business not to have authorisation limits. There is a process though. They generally will address routine matters at a park level that come up on occasion. They could be neighbourhood disputes; they could be issues with maintenance. Generally speaking, if there is an issue to be resolved, they research the matter, get quotes and upload those quotes to be authorised at my level. When the managers say that they are not being given authority, that may be true. The cost may be too expensive; we may be looking for alternative resolutions.

**Mr HART:** Are you able to tell us what that cost level is?

**Ms Clements:** No, not off the top of my head, no.

**Mr HART:** Is it \$500 or \$5,000?

**Ms Clements:** No, I think it would be around the \$1,000 mark.

**Mr HART:** So for anything over \$1,000 they have to get approval from your level?

**Ms Clements:** Yes.

**Mr HART:** Possibly that is a problem, but that is your decision as an operator.

**Ms Clements:** Yes, and that would be my comment to you. As a business, we need to make decisions as to how we control our expenditure.

**Mr HART:** How many sites does Palm Lakes have in the country?

**Ms Clements:** In Queensland we have 14 and across the country we have 27.

**Mr HART:** How many individual home sites would that be roughly?

**Ms Clements:** In Queensland?

**Mr HART:** Yes.

**Ms Clements:** Just shy of 4,000.

**Mr HART:** How many of those would change hands every year? Would you be able to have a stab at it?

**Ms Clements:** I will have a stab.

**Mr HART:** I will not hold you to it.

**Ms Clements:** Our turnover rate probably sits at around 15 to 20 homes a year per site.

**Mr HART:** With the buyback scheme that is in place, we heard from other park owners that there is a GST implication that they either cannot figure out or cannot see any way around in that you cannot claim an input credit for it. Is that something that you have put your mind to? I will ask Adrian later about that.

**Ms Clements:** We have not put our minds to that. The buyback, as I said in my submission, is difficult to follow. The way it is written is difficult. The impost on park owners, besides any GST implication, is going to be holding costs. If we have 14 parks in Queensland and a turnover of 15 to 20, we could be up for massive liabilities under this buyback arrangement. I mentioned previously that in some of our newer parks the pricing is around \$1 million. As a park owner, that is a bit of a concern for us. However, I would also say that our resales are churning pretty significantly. We have waitlists in some of our parks. I am surprised it was raised as an issue because I do not see that, under the current situation, sales are an issue. In five years time, that could be different.

**Mr HART:** Some of the park owners expressed the view that it is not an issue because their places are selling anyway.

**Ms Clements:** Exactly.

**Mr HART:** How many new sites would you bring to market every year?

**Ms Clements:** In Queensland we currently have a project running at Pelican Waters, probably like a lot of—

**Mr HART:** Would there be many resales happening at the same place?

**Ms Clements:** I do not understand your question. Where we are selling new homes, would there be preloved homes?

**Mr HART:** Yes, so is there a clash of you are selling and they are selling?

**Ms Clements:** That has been raised as an issue, but I do not genuinely see it as an issue. The park that is our current project has no resales. We only have 27 settlements in Pelican Waters. Sometimes there is competition, but mostly home owners will wait until the park is finished to put their home on the market. It just gives them a better resale. If they do want to sell their homes, we just suggest to them that they make it enticing to a purchaser and do not mark it up to the price that is the current new sale home price.

**Mr HART:** Is it your policy to flow through the cost of electricity and water to the home owners?

**Ms Clements:** Yes.

**Mr HART:** What you pay is what they pay?

**Ms Clements:** Yes.

**CHAIR:** As part of the site rent?

**Ms Clements:** No, it is not part of the site rent, but under 99(a) we on-bill utilities at the price we are paying for them.

**Mr HART:** Do you have many disputes about that?

**Ms Clements:** I think the dispute is, as was raised by the first speaker, around solar. I suppose my answer to solar is that it is problematic. We have to engage with Energy Queensland. They have very specific rules around what we can and cannot do and I understand that home owners are not happy with that, but it is not really our decision.

**Mr HART:** I was the shadow minister for energy for a number of years, and that is exactly right, and I am happy to talk to anybody here about the issues in that regard later.

**CHAIR:** We will move on as we are running out of time.

**Mr BOOTHMAN:** Going back to your original point, you were saying that Palm Lake is moving away from market reviews. You then spoke about the 3.5 per cent or the CPI, whichever one was higher, so you have confused me a little bit because you want the flexibility of the market review, so to speak. What is the position of Palm Lake when it comes to how you want the price set?

**Ms Clements:** Perhaps I did not make myself clear, but probably in the last three or four years we have moved away from market, so any of our new agreements have a fixed percentage increase of 3.5 per cent. What we are left with, though, is historical site agreements that do have market reviews. Probably around 20 per cent to 25 per cent of our site agreements have a market review. My submission is that, rather than having to rely on CPI as is being proposed, we are allowed to insert your new methodology, which is CPI or 3.5 per cent in substitution for market review.

**Mr BOOTHMAN:** But the target band for the RBA is two per cent to three per cent CPI, so 3.5 per cent is a pretty lucrative deal for yourselves?

**Ms Clements:** We came up with 3.5 per cent reviewing CPI over a number of years, and I would suggest to you that the target band is nowhere near being met and has not been for the last couple of years.

**Mr BOOTHMAN:** But we do go through periods of deflation.

**Ms Clements:** Of course we do.

**CHAIR:** With regard to Pelican Waters, how much are you selling those houses for?

**Ms Clements:** It depends where you want to buy. It is a very high luxury product. The 27 that moved in have probably paid around \$1.5 million to go into those properties, but some of them are a lot higher than that.

**CHAIR:** Higher than \$1.5 million?

**Ms Clements:** Yes. I do not know if you have had a look at that product, though. It is on a golf course. We are building an impressive product.

**CHAIR:** What is the highest amount you have those retailed for?

**Ms Clements:** I could not tell you that as sales is not my area.

**CHAIR:** Are they constructed by Palm Lake itself?

**Ms Clements:** Yes. We have a construction arm.

**CHAIR:** You have a construction arm that constructs those; okay. Thank you very much, Amanda. We really appreciate that. We are running over time. However, we will have a quick five-minute break before resuming.

**Proceedings suspended from 10.55 am to 11.06 am.**



**MACLEOD, Mr Rod, Managing Director, AHC Limited**

**SABADOS, Mr Victor, Sales, Asset and Leasing Manager, AHC Limited**

**CHAIR:** I now welcome representatives from AHC Limited. Good morning, Victor and Rod. Thank you for coming along. I invite you to make an opening statement after which we will have questions for you.

**Mr MacLeod:** Good morning. Firstly I would like to thank the committee for hearing the views of AHC Limited today. I am Rod MacLeod, the Managing Director of AHC. With me is Vic Sabados, Sales, Asset and Leasing Manager. Firstly, AHC is a small, unlisted public company with 134 shareholders, including long-term mum-and-dad shareholders. For context, AHC is a small independent operator within the MHC sector and a new entrant. It is currently in its 40th year of operation and formally listed on the ASX. Over the past 20 years, AHC has developed and managed a diverse range of property assets, including retail showrooms, strip shops, neighbourhood shopping centres and, most recently, a district shopping centre in Central Queensland. As an owner and manager of property assets, AHC has vast landlord experience, operating under the Retail Shop Leases Act and certainly including during the challenging period of the COVID pandemic.

In March of 2023, AHC welcomed its first home owner into our inaugural over-50s lifestyle resort in the regional town of Howard, some 25 minutes from Maryborough and Hervey Bay. Yes, we have one resort. Today we have 30 homes occupied or under construction and multiple pending contracts signed. On completion, the resort will comprise 213 homes. Although in our infancy as a park owner, we have experienced nil complaints, nil objections to rents or rent increases. In our opinion, this is as a result of clear and transparent disclosure during and post the purchasing journey. Frankly, if the home owner was not happy with the site rent increase mechanisms, they would not have purchased in our resort.

Who is our target market? The majority of home owners are partially or self-funded retirees. Our product is not affordable housing; it is a lifestyle choice for those retirees seeking a downsizing alternative based on exceptional lifestyle facilities. Our median house value is \$725,000. They purchase here by choice because of the location, the facilities offered, the quality and style of home offered and the interaction with a Queensland-based, Australian owned and operated company.

The key points I wish to make today are in relation to site rent increases and CPI, site rent payments, and buyback and site rent reduction schemes. Firstly, in relation to site rent increases and the CPI index. We do not support rent controls in any sector, retail or residential. As for rent controls in the MHC sector, we are against this because they do not account for typical operational statutory cost increases not contemplated by nor in excess of CPI. Our current annual review mechanism is a fair and reasonable combination of CPI plus increases in government charges. Leaning on our experience with retail shop owners in shopping centres, the general accepted and relevant index supported by owners is the All Groups Brisbane index.

In respect of market reviews, AHC does not support the removal of market reviews. Our current model utilises a market review every five years. This is the only opportunity and mechanism available to catch up if necessary with the shortfalls, if any, in the previous five years of operating costs not captured by the standard annual reviews. In the five years preceding the COVID pandemic, CPI increases were ranging from one per cent to two per cent. An inability to catch up will lead to a deterioration of community facilities and services within the resort. An unintended consequence of the removal of market reviews is a loss of confidence in the sector from investors and financiers on the basis that margins reduce year on year.

As AHC is in its infancy in the sector and confidence from financiers and investors is paramount, we feel any withdrawal of funding would be catastrophic to what otherwise is a successful development—successful in providing alternative housing supply in a regional location, but also allowing turnover of property within the residential property sector. When a retiree sells a longstanding family home to reside in a resort, it provides an opportunity for up-and-coming and aspiring home owners to upgrade as others downsize. The concept of increasing site rent on the resale of a home is floored and to the detriment of the home owner and, less so, the park owner. The incoming home owner will not want to pay a higher site rent. If this is the case, we will negotiate a lower purchase price with the home owner to compensate for higher site rent.

With regard to site rent payments, AHC's current method of payment of site rent is direct debit. AHC notes that direct debit is currently not listed as an option under section 63. AHC, while only one year into our first resort, has 100 per cent of its home owners paying by direct debit. This has been made by agreement in our existing site agreements and without complaint. In our view, if it ain't broke, don't fix it.

In respect of buyback and the site rent reduction scheme, while our first resort remains in its infancy the resale of homes has not yet been of concern. However, we understand the purpose of these amendments is related to potential delays in the resale of homes. AHC strongly opposes this imposition of a forced buyback scheme primarily on the basis that unintended consequences, we believe, have not been contemplated. Imposing forced buyback provisions is likely to impose contingent liability provisions for the park owner. This being the case, this will negatively impact on the park owner's capacity for funding and, therefore, residential park viability. This approach could result in a financial catastrophe for small, independent operators such as ours, fresh into the industry. This will represent an ongoing barrier to entry in the MHC sector for small, independent operators and will restrict competition and supply.

To date, one home owner of our initial 30 contracts has resold due to a change in family circumstances. After six months of living in the resort, the home owner pocketed a \$110,000 profit or roughly 17 per cent. This resale came solely as a result of our extensive database of interested parties and those who wanted an immediate relocation. The sale occurred within six weeks of listing by the park owner. We have a database of those parties seeking a more immediate relocation as opposed to those who want to build their own home.

Should a buyback scheme be introduced, and notwithstanding our views already expressed, the park owner should not be held accountable to pay for the valuation of a home based on a failure of the resort owner and home owner to agree a value. Our experience under the Retail Shop Leases Act calls on both parties to meet payment for the costs equally. This is a fair and reasonable method.

We generally disagree with a proposed site rent reduction. If a reduction is to apply, then it should be recoverable by the park owner from the sale of the home. Sincerely, we thank you for the opportunity to present today.

**CHAIR:** Thank you. Clearly yours is a new park, comprising 30 homes. Do you have a home owners' committee?

**Mr MacLeod:** We do not as yet. We have a social committee. They do not believe that they have enough people, enough voices, yet to form a home owners' committee. It is something that we have encouraged them to do, but they just do not feel the numbers are there yet.

**CHAIR:** What size are you looking to get to? I assume your park is not fully developed as yet.

**Mr MacLeod:** It is not fully developed. We are in stage 1 and about to go into stage 2, which will be 60 homes. It will be 213 in total over about six or seven stages.

**CHAIR:** Certainly around Howard, there would not be that many different options for people moving onto the next stage in their housing? I do not think you have many parks or retirement options at all around that area.

**Mr MacLeod:** No. What I would say is that 99 per cent of the homes that we are seeing wanted and called for are at the absolute upper-end, RV homes, 16-metre long by six-metre wide garages. We have not sold a home in the standard double-garage bracket.

**CHAIR:** You are saying ones that accommodate a larger vehicle for travelling?

**Mr MacLeod:** Yes, and a higher cost. The average price is \$725,000 ranging up to about \$800,000.

**CHAIR:** I want to ask about the input of residents into things such as capital replacement and maintenance, but without a home owners' committee I do not know what input they would have or imagine they would have in the future.

**Mr MacLeod:** What I would say is that it is our only resort, but our home owners have direct contact with me. I am there fortnightly. Vic is there weekly. If they ask for something—more seating in the barbecue area, more seating in the dog park—they are put in. We are on hand. We are approachable. We are on deck at all times.

**CHAIR:** Do you have an on-site manager?

**Mr MacLeod:** We do not as yet, mainly because, again, it is 30 homes. We are building our clubhouse at the moment. It is a \$4 million facility. Once that is completed then a home manager on site would be appropriate, but not before; not when, as I said, I am the Managing Director of the company who is approachable and contactable through park visits. It is not required as yet.

**Mr HART:** Rod, I would like to explore a company that is just starting out, to see what the difference is between that and an established company like the other ones we have heard from. Legislation sometimes has unintended consequences in that it affects some people more than it affects others. You have 30 sites and you are spending \$4 million on a facility.

**Mr MacLeod:** To date, including acquisition costs, it is probably \$10 million to date.

**Mr HART:** You have 30 sites. How many individual site agreements do you have? One?

**Mr Sabados:** Just the one site agreement. They are all exactly the same.

**Mr HART:** Do those people all purchase at the same stage?

**Mr MacLeod:** No, varying stages. Sorry, they are in the first stage. They are all in the one stage at the moment.

**Mr HART:** Does your site agreement take into account the facilities that you are going to build in the future and their maintenance?

**Mr MacLeod:** Yes. We have had to prepare an outgoings budget for the completed resort.

**Mr HART:** You do not see your site agreement fees changing because of stuff you build over the next 10 years; is that safe to say?

**Mr MacLeod:** It is a little bit difficult. As you have pointed out, the bigger players have the advantage of a lot more data than we do. Certainly we are following some of the market leaders, we would call them, and we believe that is a good model. By providing high-quality facilities—put it this way: a \$4 million clubhouse facility with pool, tennis court, spa, gym, followed by a country club at a later time, which will include a ballroom. We already have many facilities already in as well.

**Mr HART:** The point I am trying to get to—and this is not a criticism at all—are your people paying for something they do not have yet?

**Mr MacLeod:** No. We provide rent rebates. They are getting a \$40 rebate at the moment based on facilities that are not there.

**Mr HART:** So you have set a figure that you think is fair moving forward and you have rebated for what is not there at the moment but is coming?

**Mr MacLeod:** Yes.

**Mr HART:** How will this legislation affect that rebate situation? Have you put your mind to that?

**Mr MacLeod:** No, we have not put our mind to that, no. That has been widely accepted. All our home owners are coming in with their eyes open. That is fully disclosed to them when they come in. They are aware of the rebate. They are aware of the time line of when these facilities will be provided which is in levels of how many homes are completed.

**Mr HART:** I cannot speak for the government as I am in opposition, but the direct debit thing I would say is a mistake. It should be covered somewhere and we will figure out whether it should be there.

**CHAIR:** We are just having a look. We think section 63C is meant to be that, but we need to clarify that.

**Mr HART:** We are not going to ban direct debit; I cannot imagine we would do that. If that is the case, I will be recommending direct debit goes back in as an option, for sure.

**Mr MacLeod:** Thank you.

**Mr HART:** You mentioned that there may be some issue with finance moving forward. Do you have any evidence of that or any feedback from financiers?

**Mr MacLeod:** Certainly we believe we have a fantastic facility. We have a golf course on one boundary that we do not own so it is maintained by others. We have a train station on the other boundary, and we have a small historic country town village that our home owners have access to. There are not many parks on the eastern seaboard where they can walk to those facilities. What was the question again?

**Mr HART:** I have forgotten as well.

**CHAIR:** We will come back to you in a moment, member for Burleigh. I welcome the member for Logan to the table. He is subbing in for the member for Capalaba. Member for Logan, I know you do have these many of these home parks in your area, so thank you for your advocacy in getting people here today.

**Mr POWER:** Thanks very much for your appearance here today. Obviously, as a company, you have experience in a variety of different rental circumstances, including commercial. When a tenant has rented a commercial site, sometimes they have sunk costs on things they have invested in—plant and equipment or shop fitting—but usually once the contractual period is up then they can walk away and take those fittings with them. For instance, say a new development was built across

the street that had more traffic and it was felt that it had more attractive rents then they could then move to that one—not easily but relatively easily, especially given that, at times, commercial renters may need to do refurbishments anyway. That is something that would keep that market very competitive; would that be fair to say?

**Mr MacLeod:** Maybe. What we would say is that, because we are small and on the deck, we can pivot quickly as well. What is in the interests of our tenants in shopping centres or our home owners is what is in the best interests of both. What is good for you is good for us. We have always worked with our tenants or home owners in the same light. I must say that in some 20 years of being in the retail sector, a market review does not mean it is always up. That is the purpose of a market review. Sometimes it could be down. Either way, you work with the people you are involved with.

**Mr POWER:** Having dealt with manufactured home owners, they are yet to experience that but I will take your word for it.

**Mr MacLeod:** And we are new, but that is the experience in the retail sector.

**Mr POWER:** On that, though, you have 30 houses and you have only ever had one sale. This involves a lot of senior people and obviously with established parks senior people become more senior. Have you ever had the experience where someone has had to go into long-term hospital care or a nursing home and the family is trying to deal with the property but the sale is quite difficult for some reason?

**Mr MacLeod:** No, not as yet.

**Mr Sabados:** No, we have not had that circumstance. I am sure it will come up down the track.

**Mr POWER:** I imagine you could imagine it. Would you reduce the rent for those people who are not using any of the facilities or would they pay the same rent?

**Mr Sabados:** Under our current site agreement, the way it is drafted, there is a period there in the worst-case scenario, where there is the passing of the home owner. We have not contemplated the discounting of rents. I think there is more thought required around how that would apply. I think it is open to possibly manipulation and, I guess, swinging it towards certain circumstances. All we are looking for is a fair playing field in that.

What I am trying to say by that is say someone by choice, for whatever reason, decides to move out so the home is vacant. They have decided to live elsewhere and it is their choice. It is not necessarily something they have to do; they feel they want to do it. That is where I say the grey area is. We need more parameters around how these things are contemplated. I think with the way it has been drafted at the moment, or proposed to be drafted, we need a bit more meat on the bones. What have we done in the past in our shopping centres where there have been circumstances where it has been difficult? We have certainly assisted with reduction in rents over a given period of time. We worked through the scenarios. What are the time frames? We certainly have made those adjustments and pivoted at that time on an individual basis.

**Mr POWER:** Would it surprise you that that is not the experience of many manufactured home owners who go into that terrible situation? There have been cases where people have become quite infirm and have difficulty dealing with their own matters, but they have a large liability of rent that continues to pile up even though they are not able to live in that house anymore and have difficulty getting a sale through.

**Mr Sabados:** It is difficult for us to talk about getting a sale through because the one sale that we had transpired very quickly. We have a large database. We build our homes on an order basis. If you would like to move into our resort, you place your order, we build that home and then you move in. We do not really have established homes. As soon as we have an established home that is ready for sale, it is purchased very quickly. It is difficult for us to comment on what those circumstances would be.

**Mr POWER:** On that, obviously when you build a house, it is good that you make a return to your shareholders. When you build a house and sell it, you are obviously looking to get a decent return, and we appreciate that. However, there is an incentive structure there where, if a home owner wants to sell, the park management really does not make much, if anything, on that sale. It is just a transaction between two other people. In that way, there is an incentive for some home owners to look to sell their own properties, their own housing, first.

**Mr Sabados:** As in not use someone to represent them; is that what you are saying?

**Mr POWER:** No, not so much an agent problem. You obviously make a return on the sale of each home built, above the cost, but you obviously make nothing if a potential resident is looking to either build or, if there is one available, to move into one that someone has moved out of. You obviously make nothing on that but significant amounts on the other one. Is there a perverse incentive where you are not going to necessarily be equally supportive of an ongoing sale?

**Mr Sabados:** I cannot say it can apply in our circumstance. We were involved in the sale. We were happy to resell it. We have not come across that.

**Mr POWER:** But you really have only experienced it once?

**Mr Sabados:** Yes, that is right.

**Mr MacLeod:** But as Victor said, we do believe we are the best people to sell the home because we have a database of people who are wanting either existing homes or to build homes. With existing homes—I think this is across the industry—there is not really a backlog of selling the home.

**CHAIR:** Thank you. It has been most informative, Victor and Rod.

**FALLIS, Mr Stuart, Operations Manager, Ingenia Communities**

**KWOK, Ms Natalie, Chief Investment Officer and General Counsel, Ingenia Communities**

**CHAIR:** I now welcome representatives from Ingenia Communities. I invite you to make an opening statement after which we will have questions for you.

**Ms Kwok:** I have some facts and figures which will answer some of the questions that members have. In Queensland we have 10 manufactured housing or land lease communities with over 2,200 existing occupied homes. Our development pipeline is another 2,000 homes that will be built in the coming years. We provide a range of housing and lifestyle options from affordable homes with modest amenities to premium offerings with resort-like facilities. Our homes range from about \$400,000 to over \$1 million. They are at various locations across the state.

The first point I would like to make is that we are not against consumer protection. I echo Adrian's point about us being in a partnership. It is not us versus them. We do not want our residents to go into rental stress. We have a hardship policy that predates COVID and we do work with our residents. Individual residents might experience hardship from time to time and we do work with them on hopefully achieving an amicable outcome.

What we are advocating for is a balanced legislative framework—one that allows the consumer to make choices about where they live, the lifestyle that they want and that they can afford, and also one that allows us as the operator to provide a choice and to have a sustainable business model for us to continue to invest in and build communities. The proposed reforms threaten the sustainability of the sector in the longer term and actually have unintended consequences for the consumer.

I will clarify the cash flows that have been spoken about—the way that we develop the communities and the way that we operate the communities. We generate cash flow from the sale of the home—the first sale. Then we collect the weekly rent. All of that goes to fund the land, the cost of the home, the facilities, the services, the cost of construction and the ongoing operating costs of the communities—the park manager, the grounds and maintenance, as well as the head office costs, interest and taxes. We also provide a service which is called Ingenia Connect. It is a free service that we provide to residents. We do not provide care but we do connect them with suitable providers that will provide in-home care.

We do not have a deferred management fee like traditional retirement village operators. We do not profit from the subsequent sale of the homes. To give you some idea, at our Chambers Pines community one of the homes recently sold and the resident pocketed a \$200,000 capital gain. They get to keep 100 per cent of that. At our Emerald Lakes community, the capital gain was about half a million dollars. Again, they keep 100 per cent of that.

With the rent cap and the removal of the market rent review and sudden costs going up more than CPI or 3.5 per cent, it will mean that we will go backwards unless the legislation provides a mechanism for us to recoup expenses. To give you an idea of some of our cost increases, wages and salaries have increased about 10 per cent, and insurance and statutory charges have increased by about 20 per cent. Yes, it helps that under the proposed changes we can enter into a new lease with an incoming home owner, but the unintended consequence is that the outgoing home owner will find it harder to sell their home because we have to charge a higher rent. In terms of turnover—I think someone asked about the turnover rate—at our community currently it is about six per cent to eight per cent, so it is not enough over time to cover the costs above CPI or 3.5 per cent.

The combined effect of the proposed changes including the rent caps, the compulsory buyback and the capital maintenance replacement fund—and I will not go into direct debit because that has been addressed—is that it will have a significant financial impact on the operators. We will either have to make do with less—which means that we will provide less to the residents—or invest less in the communities or we have to charge a higher price when we sell the home for the first time to try to recoup the costs in the longer term. Ultimately, it is at the expense of the consumer.

Singling out our sector, making changes based on availability of a small sample size and rewriting agreements that have been entered into some years ago for which investment decisions have been made are fraught with danger. We conduct an annual survey of our residents. To Adrian's point, we do not take this lightly and we respect the people who have made submissions, but we do have a lot of happy residents living in our communities. Implementing the changes as planned will be significantly detrimental to the provision of quality housing in Queensland and the availability of housing and lifestyle choice for a growing ageing population.

More time is needed to consider fully the impact and not just in the current high-inflation, high-interest-rate environment. It was not all that long ago when the macro conditions were different. All we are asking for is natural justice and time to work with the government and the resident groups to strike the right balance. I will close there.

**CHAIR:** Thank you very much.

**Mr POWER:** You said that you needed time to reach an agreement with resident groups. For some time, resident groups have been bringing up issues about market rent reviews and high rent increases. You have not reached an agreement in the past. Is this something you are confident you can do now? This has been an issue for quite a long time, hasn't it?

**Ms Kwok:** It has been an issue for a long time and we have had ongoing dialogue with the resident groups. You are never really going to get agreement. We can substantiate the costs that have increased for us as an operator. What the residents may not see is that, apart from the costs at the community, we also have other costs that they might not think about. For example, with the Ingenia Connect service that I touched on, the accounts person is there and our property services team are doing the agreements. Yes, we have had ongoing dialogue and, yes, we have not resolved it. I think most of the time for all the disputes we have had—the ones that have gone to the tribunal—the tribunal has not disagreed with the way that we have implemented the market rent increase.

I would also like to point out that, according to an external publication that was done by Luke Chadwick Property Valuers, the site increase over time since 2017 in Queensland, with the embedded market rent review, has been 3.99 per cent. This is way lower than private rental increases over that same period.

**Mr Fallis:** May I add that we have a significant investment in Logan, your catchment, with two communities—circa 800 homes in this area. With the impact of inflation over the last years we have been really empathetic as a business to our residents and have tried to meet them halfway on some discounts when CPI was at eight per cent. We could have passed that on. We capped that at 4.95 per cent.

The challenges moving forward and the challenges of the committee and our colleagues here today representing the sector are varied. I would encourage all committee members to come to our communities, speak with our residents and speak with the staff and see how we operate day to day and interact. It has to be a joint venture moving forward to sort all of this out so we can all go on and prosper in this environment.

**Mr HART:** How much power do your on-site managers have to make a decision? Is there a limit?

**Mr Fallis:** There are commercial limits but we certainly empower our teams out there to make those decisions. Something you must understand as well is that—we talk about maintenance and facilities being affected by end of life and going offline—under the act there are provisions that an operator must maintain facilities. We make those decisions daily in our business. For example, if an air conditioner fails then we change it out. We get the maintenance done. Residents would certainly have a case if we were not maintaining our communities.

**Mr HART:** Is that something your local park manager can decide—say, changing an air conditioner?

**Mr Fallis:** Most certainly, if it is up to around \$3,000. Over that they will give me or one of my colleagues a call and we would approve that on the spot. It is not something that sits in an email for weeks on end before we make a decision.

**Mr HART:** How old are your parks?

**Mr Fallis:** We have a mix. In Queensland our more mature parks could be circa 30 years old. There is a hybrid business that we have purchased over the way. We have some very new developing parks as well.

**Ms Kwok:** We have communities that we have acquired from previous owners and we have ones that we have developed ourselves.

**Mr HART:** You said you have 2,000 more—

**Ms Kwok:** Development sites in Queensland.

**Mr HART:** Are any of those existing parks or are they new parks?

**Ms Kwok:** They are new parks—greenfield developments.

**Mr HART:** Have you put your mind to the question I asked about GST before?

**Ms Kwok:** If we buy back a resident's home then, when we on-sell that, there is GST that we as an operator have to be charged. Because we do not get paid that when we buy back the home then there is no GST to claim back.

**Mr HART:** That is the point. Had you thought about that before?

**Ms Kwok:** No. It was actually a surprise. We probably should have thought about that. There is definitely GST.

**Mr HART:** Is that an unintended consequence?

**Ms Kwok:** That is an unintended consequence, yes.

**Mr HART:** That would mean that, in order to balance your books as far as a transaction like that is concerned, if you were buying back you would have to charge 10 per cent more than what you paid the owner. Is that a fair comment?

**Ms Kwok:** Yes. Otherwise, we wear the cost. I also want to make the comment that, based on the resales we have had—there are 60 of them across all of our communities in Queensland—the average days on the market is less than three months.

**Mr HART:** I asked the other groups this question as well. Have you had any feedback from financiers as to whether these changes may limit access to future funding for parks?

**Ms Kwok:** We bank with three major banks here in Australia. We also have a facility with the CEFC, which is government funding to do with the environment. We have obligations to implement some ESG initiatives including carbon emissions et cetera. ANZ is one of our banks. I believe that they have made a submission previously to the government about these reforms because it does go to investment value. Market rent review, for example, is not something that I would factor in when I look at a greenfield development or a new investment. You cannot predict a market rent review. That was a comment made earlier on. The rent cap will cap the ability—your rent will go up every year either 3.5 per cent or CPI. When you think about the holistic impact of these proposed reforms and the fact that you cannot claw back sudden expenses, then it does have an impact on value. I think they have made that clear in their submission.

**Mr HART:** The angst that I have been hearing from people who have talked to the committee is that the increase in their site rent cannot be compared to what they think the expenses of your company and other companies are. The only way to fix that is a certain level of transparency. Are you comfortable with that level of transparency? What level of transparency would you be comfortable with?

**Ms Kwok:** We have had this conversation with home owner associations before. We have manufactured housing. We also have holiday parks. We have senior rental or age rental. What gets really difficult is the allocation. When I ask the accounts department and property services how much of that is allocated to the community, if we open the books—I did say to one community member are we going to debate how we allocate certain costs because what we generate from the communities and from our other income sources has to go towards overheads. It becomes difficult as to what extent we disclose.

**Mr HART:** Let's burrow down a little bit. Let us take electricity prices, for instance. Would you be comfortable with disclosing to the residents exactly how much you pay for electricity versus how much they pay for it because there are rules in place?

**Mr Fallis:** Correct. Under the embedded networks, which a lot of our communities are, we can only oncost usage to residents. For transparency we actually provide to our home owner committees our electricity bills on occasion so that they can understand that the usage that is being calculated and oncosted is in line with the act and the way we charge electricity. We do those bits and pieces regularly at the moment already. To be more transparent, we would be guided by certainly committee and government decisions about where we need to go and what we need to do to appease residents and what commercial disclosures we give.

**Mr HART:** With your site agreements is everybody paying the same? We heard that some people in some parks are not paying for sewerage while other people are; some people are not paying their water bill and other people are. Is it varied or is it pretty standard?

**Mr Fallis:** It does vary.

**Ms Kwok:** Because we bought communities that came with all the site lease agreements.



**Mr Fallis:** If we bought, for example, Bethania and Chambers Pines, there would be half a dozen different site agreements from different owners. Then we come along and acquire the business and we apply our site agreements. There are variations. In the future, every resident will be on the same agreement because we do consolidate those as the homes churn, but there will come a point where they are built out operationally. They will all be on the same agreement. Certainly with the market rent review scenario currently, yes, that is the case because it blanket values their site rent the same, but that will be taken away in the future.

**Mr HART:** Per site though, not the whole company; is that what you are saying?

**Mr Fallis:** No, per site. It is individual to the site.

**CHAIR:** I think you are saying that you have a variety of products that are being offered. It is hard to say 'products' because they are homes for people. Within the sector is it becoming more financially attractive to move into the luxury resort end of the market? If so, where is there room for affordable options for the majority of retiring Queenslanders?

**Ms Kwok:** I think the reality is we are building the homes and the end game is actually with the rents. While you may think that we generate a huge profit, the profit goes towards all of the costs below and above ground and the clubhouses. In these very luxurious offerings the clubhouse is \$10 million plus. I was at an opening last week or two weeks ago and it cost us \$40 million to build a clubhouse. I think you have to look at it holistically.

**CHAIR:** We used to just do community centres and now we are building clubhouses. Where is the industry going? How can ordinary working Queenslanders get into these in the future if this is what they are looking at?

**Ms Kwok:** That is why we have competitors like GemLife and Palmwoods that play in the space, and that is why we also play in places like Beaudesert, Logan and Chambers Pines Bethania where the homes are at the lower end. What we are trying to achieve is really to break even on the sale of the homes, whether it is affordable or whether it is a premium product, because it is cheaper to build and generate an ongoing annuity stream than buy into an existing community and try to do it that way. Because the capped rate on the existing community is so sharp, it does not make sense to buy existing communities.

We do the whole spectrum, but these reforms are going to force us because it no longer makes sense to build lower end homes because we will not be able to break even or there is no mechanism currently to allow us to increase costs where they are justifiable and can be substantiated. I guess that is what we are asking. If the proposed reforms go ahead and you remove market rent reviews, currently there is a provision in the act that allows special rent increases but it is onerous and you have to go to the tribunal. All we are saying is that for certain costs such as insurance, salary and wages, which we have no control over, and if they go above CPI or 3.5 per cent, we operators should be allowed to increase rent to cover those expenses.

**Mr BOOTHMAN:** Stuart, you were talking about market agreements across all of your sites. At certain sites—for instance, on the Gold Coast—you will have properties that have river views and properties that are a bit further back that obviously do not have views. Would you include that? Obviously, people would get a bit more benefit from having lovely views.

**Mr Fallis:** There are levels of rents already in individual communities too. For example, at our Seachange Emerald Lakes community, for the homes that overlook the waterfront the site rents are more than those of internal residents who do not get the advantages of those views. In turn, the value of their property is significantly different too. There is a level of layers in our business and other operators' too on rents. When a market rent review takes place, the valuer takes that into consideration and will move those waterfront homes at market value and the internal ones at well. There will always be a disparity in individual communities regardless.

**Mr BOOTHMAN:** There are obviously different types of market reviews, in that you could have a three-year or a five-year review. How many options are there?

**Mr Fallis:** For the majority of our communities it is three years. We acquired a portfolio, Seachange, and theirs was five years, so we have a three-year and five-year market rent review in Queensland.

**Ms Kwok:** Some of them have no market rent review if they are the old site lease agreements that we inherited.

**Mr Fallis:** Yes, and we cannot change that. If we acquire a community and there is no site agreement in the resident's contract, we cannot just put that in there for our advantage. That stays like that. We, like all operators in this sector, increase rents in line with residents' contracts and agreements.

**Mr BOOTHMAN:** You talked about old site agreements. How do they work?

**Ms Kwok:** It depends. Some of them will just have a CPI increase. Some will have a CPI plus increase. It really depends on what the former operator had. We cannot go in and change it, as Stuart said. Obviously these reforms are proposing to change the agreements that we already have in place. That is what we have an issue with. For those ones where you have a market rent review and in the intervening years a CPI—I think Amanda touched on that previously—then we want to align it. If it is CPI or 3.5 per cent, whichever is higher, then you want to be able to do that with your old site lease agreements as well.

We want to work with the government and resident groups. We are not saying it is our way or the highway. We do want to have an amicable outcome. What we really would like is just to sit down with all stakeholders and work it through rather than rush through something that might have unintended consequences not just for body operators but for the consumer as well. We want to protect our investments; home owners want to protect theirs. They want to be able to sell their homes at the price they want to sell it at as well.

**Mr BOOTHMAN:** When you purchase these old facilities obviously it has to be economically viable for you. What type of consultation do you do with the residents? How does that work?

**Ms Kwok:** Do you mean before we buy in or afterwards?

**Mr BOOTHMAN:** With all of your residents. What type of consultation is there?

**Mr Fallis:** We have regular dialogue with all home owners' committees. I was meeting with a home owners' committee in Toowoomba this week on capital investments—it is still a developing community—but to the point of capital replacement. Leading into budgets we will take wish-list items from home owners' committees and take that into consideration to reinvest in the community as to what residents want, even in built-out communities.

**Mr BOOTHMAN:** How regular would that be?

**Mr Fallis:** Our meetings with home owners are monthly. They have a meeting, and if they want me to join or the community manager then they invite us to the meetings. We have regular dialogues, particularly around budget time, leading into new budgets, like we have just had about how we improve resident facilities, whether it is a bowls mat replacement, whether it is a community refurb et cetera.

**CHAIR:** Thank you very much. We will have to move on because we are running out of time. Thank you, Stuart and Natalie.

**BRIGGS, Mr Roger, Halcyon Rise Home Owners**

**DICKINSON, Mr Christopher, Ingenia Bethania Home Owners**

**GLYNN, Professor Patrick, Ingenia Bethania Home Owners**

**MCDONALD, Mr Gerard, Halcyon Rise Home Owners**

**CHAIR:** Thank you very much for your patience today, gentlemen. Please make an opening statement and after that we will have some questions for you.

**Prof. Glynn:** Thank you very much indeed for allowing us to make this presentation. It is refreshing to see the discussion that has gone beforehand. My compliments to Roger Marshall and the QMHOA. They have given a broad overview of the situation. The information I am going to give you is where we get granular. We get down to dealing with Ingenia on a one-to-one basis, how it is not as has been portrayed.

My background is in research engineering facilities. In 2020 I moved into the Ingenia site. We were locked down for a while, so out of boredom one night I sat down and ran a spreadsheet on the rents. The rents in Ingenia at that stage were Brisbane CPI plus two per cent. I very quickly realised this was an exponential increase as against the Australian pension. I calculated that after five years a single pensioner in Ingenia Bethania would not be able to live there anymore. They would have to choose between paying site rent and eating. About 40 per cent of the residents in Ingenia are single home owners so this is not a trivial problem. I will just give you an overview as I see it. The problem is that these people are going to be forced into selling their houses. I already know of three different residents in Ingenia Bethania who have had to leave for this reason. They were pushed into sites where they had lower weekly rent—it went from nearly \$200 a week down to \$80 a week—but in order to do that they had to sign over 35 per cent of their capital gains on the new site they were moving to, so it was a totally retrograde step.

With my background in facilities management, I had a look at what the running costs of the site would be. There are 320 houses in it. At the moment, the rents they are pulling off the sites per year are about \$3.6 million. I am just giving you the stark numbers. My calculation on the actual cost of running that was about \$1.7, so it gives about a 150 per cent profit margin on the actual operation of the site.

At the first meeting I had I was elected HOA president in 2022. By this stage we had nussed out the numbers and what was happening. My compliments to the earlier HOAs, because they kept impeccable records of what had happened from the time Ingenia took over the site in 2015—they paid \$15.5 million for it—and what they had spent on each stage. When they bought the site, there were 150 houses on it; there are now 322. That is the limit of their building. The actual profit over those years was about \$22 million—it is in the documents here—on a \$94 million or \$95 million expenditure.

One of the beauties of Ingenia—my compliments to them—is they are a public company so they print annual reports. The 2022 annual report showed the profit margin they gained, from memory—again, it is in these documents—from 350 house sales. What it washed out to with the house costs in Ingenia was that, on each house they sold, they were making about \$192,000. Houses were selling at that stage for around \$300,000 to \$350,000. That has increased. The last houses that were sold on the site in Bethania were sitting somewhere around \$550,000. From watching their annual reports for the last couple of years, it looks to me like that profit margin has remained the same. This is from their reports; these are not invented numbers. What I am coming at here is they have been more than recompensed for the cost of building the houses with a fairly large profit margin. On top of that they have increased the site rents to a ridiculous level. Irrespective of what Stuart Fallis said, when their market rent reviewers presented the evidence which the rents up on, that washed out as sitting somewhere between 12 to 14 per cent.

**CHAIR:** That is a site rent increase after a market review?

**Prof. Glynn:** Exactly. When you feed that into the graph, you get these graduate steps in the graph and this increases the exponential rise.

**Mr POWER:** Presumably future increases compound on those.

**Prof. Glynn:** Yes, that is correct. At one of the earlier meetings with Ingenia, I asked them basically what the two per cent was for. They had CPI at Brisbane or Sydney sites and I asked them what the two per cent for was. Five times I said to the guy on the other side of the table, 'If I go into a

shop and I hand them two per cent I get something. What are we getting?' Eventually he told me that this was for their shareholders. I said, 'Well, I don't know these shareholders so why would I want to give them money?'

What I am coming at here is the attitude of Ingenia to the residents. It is not harmonious. I love the Ingenia Bethania site. The people are wonderful. We have a great social club there. We have a very vibrant community. That community is going to be impacted very heavily by these site rent increases. Again, my congratulations to the government for taking this action. It is very, very necessary, because this problem would have wound up with the government because what are they going to do with pensioners who move into these sites? As I said, five years was my calculation before they would be in deep trouble. Ingenia informed me that it was actually 4.75 years because they have already done the numbers. I will wind it up there but, as I said, I have taken the numbers right down. All the information that we have, based on the data, indicates that this is not a very equitable situation.

**CHAIR:** Before we go to questions, I might go to Roger and Gerard to speak on behalf of Halcyon Rise Home Owners.

**Mr McDonald:** Thank you very much. Again, we really appreciate what the Queensland Manufactured Home Owners Association have given. We would like to concentrate on a couple of things that are actually impacting on us. We are a new facility. It has only been there three years. At the present time, two-thirds of it is built in. They are still building one-third. We do not have a fantastic relationship with our park owner, as some of them have said, because we do not have access to any of their maintenance plans or their capital replacement plans. When we ask them if they have a maintenance plan: 'Yes.' 'Can we see it?' 'No.' That is the operation.

We would like to concentrate on one aspect first of all, section 71, the ability to increase unexpected operational costs. Currently this only considers the park owners. It has a negative effect, purely and simply, on the homeowners. They can ask for an increase for an unexpected operational cost. An example would be an insurance cost. We happen to now be in the flood zone so we expect that their flood insurance is going up. However, it does not take into account our homeowners. A homeowner this week got an increase in their insurance for their house and contents from \$1,049 a year to \$14,841 a year. That is an increase of \$265 per week, which is more than our rent. If she goes ahead with that policy, the state government will suddenly get stamp duties of \$1,237, which is more than the last year's premium, and GST of the same, which we do not think is very fair. Under the current act the park owner can now go back and say, 'We want an increase in rent as well.' We think that if there is an activity that impacts on the park owner and the homeowners then they should take that into consideration, but at the present time it is only looking at the impact on the park owner and that is, I think, not a very good operation for homeowners.

In addition to that, if there is a dispute it has to go to QCAT, where there is a very long waiting list. Under the current act homeowners still have to pay the money until that decision is brought down, which could be months or years. Why do the homeowners have to carry the cost of the state government not adequately resourcing their QCAT? Why is that? We think it would be fairer, if that was going to happen, for the park owner to carry 50 per cent of the cost and the homeowners 50 per cent. I think that is a fairer operation.

The next issue is in relation to site rent reductions for unsold homes. We do not have any problem at the present time. We have only been there three years. The Property Council did say in one of their submissions that 90 per cent of their homes are occupied—almost 90 per cent. That means over 10 per cent are not occupied. The market is failing because with rentals at the present time there is less than one per cent. The market is failing as it is at the present time. Proposing to just reduce the rent six months after the house is vacant by 25 per cent is not incentivising park owners to sell the property. We think what you should be doing is increasing that 25 per cent discount each month after the six months by five per cent until there is some activity, because that it not being operational. I will hand over to Roger for the next bit.

**Mr Briggs:** I am speaking purely as a homeowner here. What I see as a big lack, which has already been touched on earlier, is we have no equity in our homes. We cannot access the federal government's Home Equity Access Scheme because our site agreements are not registered. We think this really needs to be looked at by the state government so that we can at least get access to that scheme. More often than not, people move in as a couple and over a short period of time, perhaps, one person leaves for aged care or passes. That leaves one person alone in the home. If they are on the pension then they go to a single pension payment. The site rent does not change even though there is only one person now living in the home. Therefore, we would dearly love to have equity established in our homes which, as everyone has mentioned before, is our biggest asset. If circumstances dictate, we need to be able to access that equity.

**CHAIR:** Thank you. That was a point that was made earlier. Professor Glynn, you mentioned a \$22 million profit. Is that as you have calculated it?

**Prof. Glynn:** That is as we have calculated based on the annual reports from Ingenia.

**CHAIR:** You looked at maintenance. Does that include any capital replacement?

**Prof. Glynn:** No. Essentially what I have taken is the clubhouses. Initially I was told the major clubhouse, the one that was not on the site before they took it over, was \$3.7 million. At a further meeting they told me it cost \$7 million. One of the things that we have taken to doing when we are meeting with Ingenia is we record all the meetings because inevitably you find that there is a different story that comes up at the next meeting. What we have taken is the gross profit that they have stated in their annual return. The annual return is an interesting document because it is also aimed at the investors. They are looking for people to invest in this. When you see the likes of a Florida-based superannuation scheme and a Canadian-based superannuation scheme investing in Ingenia then you know it is very lucrative.

**CHAIR:** You mentioned \$192,000. Was that a profit on the construction?

**Prof. Glynn:** That is a profit on the house.

**CHAIR:** On the construction and sale of the house?

**Prof. Glynn:** Yes. These are my calculations, but they are based on the annual report.

**CHAIR:** I do not know if any of you have had access to costs such as rates for the site, sewerage and water charges?

**Prof. Glynn:** Yes, I have broken them down.

**CHAIR:** Did you manage to get those from the owner?

**Prof. Glynn:** What I did was I took Logan City Council, there is 9.2 hectares on our site, and broke that down into the number of houses and it works out to about \$34 a week. That is included in that. For the initial costings, I took an average of the Australian salaries for the GMOs and the operation of the site and it actually turns out that that was incorrect. They are actually paying the lowest award rate. It went from my initial calculation of \$107 a week down to \$86 a week and the site rents went up to \$224 a week.

**CHAIR:** I think you mentioned—and I do not know if it is all site rent—that of the ones you have seen, the site rent agreements, it is CPI plus two per cent, plus the market rent review when that rolls around.

**Prof. Glynn:** Correct.

**CHAIR:** With section 69B, which talks about 3.5 per cent or CPI whichever is higher, you recommend no other percentage or dollar values to be added to that. Does that directly address the market rent review?

**Prof. Glynn:** No, that addresses the two per cent. The guys who are doing this—excuse me for making reference to this—even with their MBAs they cannot get work anywhere else so they are told, 'This is the outcome. Find a method.' That is what it looked to me like, to the point where I did put it to a senior representative of Ingenia. I asked how they calculated this because I was gobsmacked when I saw the two per cent and I saw the results of it. I thought what they were doing was adding the two per cent to CPI, but it turned out they were not; they were adding it to the existing rent. He could not give me an answer. He had to go back and ask the accountants. Again, it beggars belief why this would happen and why it would be allowed to happen.

**CHAIR:** I will hand over to the member for Burleigh in a moment. I guess that reflects what we are talking about: that desire to get more transparency by having those costs and inputs discoverable.

**Prof. Glynn:** Absolutely.

**CHAIR:** Hopefully, the disclosure documents and those capital and maintenance plans should address that. That would go a long way to helping what you do; correct?

**Prof. Glynn:** It would.

**Mr McDonald:** We cannot do it without it.

**Prof. Glynn:** At the moment there is no communication. We have asked numerous times for communication on things like improvements on the site. No, they come down and present us with a plan. We have no input into that plan whatsoever. They also run 'how did we do' surveys every year.

As members would know, when you are putting these questions together there are open and closed questions, so these surveys are designed to get the right answer. When any of the residents ask me whether they should fill them out I say absolutely not, because it does not reflect the nuance of what is happening on the site.

**Mr HART:** Just to clarify, are your home owners happy—not happy, but do they accept 3.5 per cent or CPI, whichever is higher?

**Prof. Glynn:** At the moment they would be very happy. When they moved in there, if they were paying 30 per cent of their salary as site rent they were happy with that. That would go up with CPI or to 3.5 per cent. They are quite happy with that because it now brings it down. They can now plan for the future without being priced out of the house they are sitting in.

**Mr McDonald:** With the Reserve Bank governor and the Treasurer saying that anything over three per cent is still economic activity in the community, we think that if you cannot get the 2.5 per cent mid-range they are going for then it should be a maximum of three per cent because if it does not distort economic activity, why would the state government be doing something the federal government and Reserve Bank are against?

**Prof. Glynn:** The largest increase in the CPI that came out yesterday was due to rents, so this now becomes a circular wheel. When the rents go up it feeds into the CPI and you just get this ramping. It is a serious problem.

**Mr HART:** You heard the question I have been asking about the price of electricity and water flowing through. Are your home owner groups satisfied that you are paying what the owners are paying?

**Mr McDonald:** We have individual meters for electricity and water.

**Mr HART:** You do not have embedded networks?

**Mr McDonald:** No.

**Prof. Glynn:** The same here. We have had no problem with that.

**Mr HART:** Gerard, in relation to your comment about insurance, is that the first person who has received their insurance bill?

**Mr McDonald:** No. I had mine in December and it is gradually coming through, over 12 months. With this one, the lady gave it to me this week.

**Mr HART:** Is your site at a similar flood level to the site of the person—

**Mr McDonald:** Yes.

**Prof. Glynn:** In Ingenia, where we are at Bethania, we were flooded in two years ago and the same thing has happened: 400 to 600 per cent increases.

**Mr HART:** It is happening in my area too, do not worry. If your members go to QCAT, does the result only apply to them? If the issue is a general issue, should it apply to everyone at that particular site?

**Prof. Glynn:** Set a precedent?

**Mr HART:** A precedent, yes.

**Prof. Glynn:** Absolutely, yes. One of the sad things in our experience of the tribunal is that (a) it takes a very long time; and (b) site owners treat it as a joke. We turned up for a mediation and they did not show up. There was no come-back on them whatsoever. We still had to pay our rent every week and so on.

**Mr HART:** A lot of work needs to happen in QCAT, I can tell you.

**CHAIR:** I acknowledge the member for Logan and the member for Waterford for pushing to get the hearing held here, so I thank them.

**Mr POWER:** I know Shannon has really pushed for it.

**Mr HART:** I would have liked one in Burleigh too.

**Mr POWER:** This is in some ways obvious, but I want to go through the process. As we heard before, if, sadly, someone's partner dies or goes into a nursing home and they were in a place that was for both of them then they could probably change their living arrangements such as move in with their family. However, it is much more difficult or impossible for someone who has a stake in quite an expensive manufactured home. Is it economically possible to move it onto a vacant block? I am asking obvious questions and I know the answers to them, don't think I don't.

**Prof. Glynn:** Yes, it is a total furphy. These things are on concrete bases. You would literally have to go in with a concrete saw, saw the house in half and then load it on a truck.

**Mr POWER:** Sometimes on these estates the streets are relatively narrow.

**Prof. Glynn:** That is right. It is impossible.

**Mr POWER:** Although you have equity, it is impossible to move it. It is very different from other rental prospects, where you have a very large equity stake and no ability to move that equity stake; is that fair to say?

**Prof. Glynn:** That is correct. In Europe and Ireland, where I come from, in the 1970s we did away with ground rents for the very reason we are suffering here. Ground rent is totally nonproductive and it generally takes money from the least well-off and pushes it upstream. It is not good for the economy, so most of the 'enlightened' countries are doing away with this.

**Mr POWER:** I know you are Irish so your family might be far away. If the second partner of the original couple also goes into care and there is no-one to go through the sale process, they are still paying rent in that circumstance in exactly the same way. There is a lot of uncertainty for them but a lot of certainty for the—

**Prof. Glynn:** Village owners, yes.

**Mr POWER:** When they are in the building phase they tend to really focus on that—by your calculation—roughly over \$190,000 profit whereas if there is a private sale of your house then the village owner really gets nothing from that, so they have a real incentive to sell their new products rather than help residents; is that fair to say?

**Prof. Glynn:** That is correct.

**Mr POWER:** Is that an issue that any of you have noticed?

**Mr McDonald:** At the present time people are making profits by reselling even where we are, but that is mainly because they are taking a year to build a home. If someone wants to move in now, they are buying an established home and buying another one, and then they sell the established home when they go into the new one in a year's time. They get two sales then.

**Mr POWER:** It is very different from an elderly couple who is perhaps in an apartment or small house, isn't it?

**Mr McDonald:** It is, yes.

**Prof. Glynn:** The other problem I have is that it leads to a lot of stress. I have had numerous residents come up to me stressed out of their minds as to what is going to happen. At the latter end of your life, when you should be able to plan and relax, it is adding stress to this whole area. It is something that really needs to be looked at.

**Mr BOOTHMAN:** I am having a look at the average inflation rates over the last 20-odd years. The RBA has managed to keep inflation in check at around the two to three per cent ratio. Sometimes we have dipped down to a point where we have deflation. When it comes to the 3.5 per cent increase, if park residents are in the situation where you have a long period of inflation that sitting around the two to three per cent target range, do you think it would be fair for them to pay 3.5 per cent?

**Prof. Glynn:** Absolutely not, but we are in the situation we are in at the moment. To pick a median, as has already been put forward, I think about 2.5 per cent would make a lot more sense because it is right in the middle of that. I am more comfortable with 3.5 per cent because it is working out at somewhere around 10 to 11 per cent at the moment, so it is a huge reduction if we get that. Ideally it should be around 2.5 per cent.

**Mr McDonald:** Why could it not just be CPI? We have a lot of people who are on part pensions and full pensions. Their pensions are increased by CPI. The cost of operations et cetera is supposedly CPI. Forget about 3.5 per cent. Why can it not just be CPI?

**Mr BOOTHMAN:** There has been a lot of discussion that information regarding electricity costs for the park should be a lot more open and transparent. Obviously some parks are different to others and they are actually saying, 'This is our cost.' What would you like to see going forward with regard to park owners being open and transparent about what these costs are and working with local residents?

**Mr McDonald:** The idea in the legislation is to make sales transparent and let people know what the rents are going to be et cetera. Let that information out so you can have comparative sites for everyone. At the present time you have to go to a lot of places to compare sites. If that can be up-front it would be good. There are so many different models. There are some very big corporations

and some small ones now, as we found out today. They could put up any figure and we do not know if they are accurate. They could lie and we would just have to accept that. Is there any way that can be regulated? I do not think it can be. They can still lie.

**Prof. Glynn:** There is one simple way of doing that, particularly with electricity: just insist that all new houses sold have at least three kilowatts of solar panels on the roof and the benefit of that goes directly to the resident. The cost of \$3,500 to \$4,000 on the price of a house is minuscule, but it takes a fairly large slice of the pension and it gives it back to the pensioner.

**Mr McDonald:** We do have that.

**CHAIR:** Thank you all very much. We will now have a break.

**Proceedings suspended from 12.27 pm to 12.45 pm.**



**BERGHOFER, Ms Tammy, Chair, Seniors Living and Residential Care Policy Committee, Urban Development Institute of Australia**

**CAIRE, Ms Jess, Executive Director—Queensland, Property Council of Australia**

**CHESSHER-BROWN, Ms Kirsty, Chief Executive Officer, Urban Development Institute of Australia**

**COX, Ms Anna, Director; Policy, Strategy and Regional Services; Urban Development Institute of Australia**

**CHAIR:** I welcome representatives from the Urban Development Institute of Australia—Tammy, Kirsty and Anna—and the Property Council of Australia—Jess. I invite you to make an opening statement of a few minutes and then we will go to some questions. Kirsty, it is over to you.

**Ms Chessher-Brown:** Thank you for the opportunity to speak to the committee and to outline UDIA Queensland's response to the bill. My name is Kirsty Chessher-Brown. I am the Chief Executive Officer of the Urban Development Institute of Australia Queensland, which I will refer to as the institute. I am joined today by my colleague Anna Cox and the chair of our seniors living committee, Tammy Berghofer, a partner at MinterEllison.

The institute is the peak body representing the large and diverse property industry and has a long history of providing advice and feedback to government on a range of issues and topics impacting the industry. The institute's Seniors Living and Residential Care Policy Committee is part of the institute's extensive and consultative structure of committees and panels and has oversight of issues relating to the development of housing for seniors and relevant aspects of local planning schemes and state government legislation to help ensure that our industry can meet the accelerating growth needs of seniors living in our community.

Based on the advice of our committee and feedback from our members generally, we do not support the bill in its current form. While the institute understands that the changes to the bill are as a result of findings of a home owners' survey, we have significant concerns that this is a blunt approach which fails to consider the unintended consequences of the proposed changes on housing supply during a housing crisis. The institute's comments today and analysis of the bill is exclusively through the lens of the impact of the reforms on housing supply and the consequences for Queensland during this period where we are experiencing a severe shortage of new homes.

In the institute's view, the bill fails to adequately understand its impact on the future viability of residential parks and the resultant impacts on current home owners as well as those Queenslanders who would like to have access to this type of housing in the future. In reality, the bill proposes a suite of measures that will effectively sterilise an entire housing typology which has been increasingly relied upon by many Queenslanders as a safe, secure and appealing home. The proposed measures essentially equate to rent capping and will distort an important part of the housing market. The measures also threaten to reduce the quality of existing parks and may devalue the existing value of homes in existing parks as a misguided attempt to protect vulnerable residents.

We are very concerned that the impacts of the bill will result in reduced services and maintenance so parks can viably operate. There is a strong reliance on operators to continue to maintain the park to the same or better standards to protect the home owner's investment over the longer term. Effectively, operators are the custodians of the home owner customer's wealth, and there are serious consequences for all parties should the park no longer be financially viable. In effect, if park viability is impacted then park residents will be severely impacted and potentially dislocated as a result of the changes proposed in the bill.

The institute acknowledges concerns from residents and the request for greater levels of certainty. The institute has attempted to engage with the department on numerous occasions following the release of the CRIS and has offered an alternative solution which minimises housing supply impacts while recognising the concerns of some residents. We have previously put forward a model which allows for site rents to be reviewed annually using a fixed review mechanism, with a realignment to ensure consistency with the wider market through a three-year market review reset.

We have also recommended that the department undertakes additional measures that will protect both the home owner and the park owner. These measures include improved education; further standardisation of site agreements; precontractual disclosure requirements; improvements to

the market review process, including ensuring experienced valuers are undertaking market rent valuation and balancing or alleviating of unexpected rent rises; deferred rent or hardship arrangements if sales are delayed; nomination of a panel of valuers by the department for site rent market reviews; and consideration of improved dispute resolution arrangements and legal support.

Unfortunately, despite our proposal, the department has proceeded with a blunt approach with far-reaching consequences for the current housing crisis. We must be sure we understand the full impacts of this bill now rather than dealing with the implications of losing this important housing model and needing to find other suitable housing for our vulnerable seniors when impacts of the bill are reviewed in three years time. We cannot support the bill until the department undertakes modelling on the impact of the bill on housing investment and housing supply and, in particular, the impacts of the government's dwelling supply target, as articulated in ShapingSEQ.

On all too many occasions we have seen different levels of governments and different persuasions of governments make legislative changes to solve a single issue without due and appropriate consideration of the far-reaching impacts of that change on housing supply. In part, this is what has brought us to today, where we find ourselves in a significant housing crisis affecting thousands of Queenslanders. We urge the committee to consider the impacts of the proposed amendments and delay the progression of the bill until the impacts on housing supply are known.

**CHAIR:** Thank you. Jess, did you want to make a statement before we go to questions?

**Ms Caire:** Yes, please. I thank the chair and the committee for the opportunity to provide feedback on behalf of the property industry in relation to the Manufactured Homes (Residential Parks) Amendment Bill 2024. My name is Jess Caire, and I am the Queensland Executive Director of the Property Council of Australia. Joining me today is Tammy Berghofer, partner at MinterEllison and member of the Property Council's RLC research advocacy subcommittee, and who is also here today supporting the UDIA.

The Property Council is the leading advocate for Australia's property industry, with more than 2,350 member companies nationally. Here in Queensland, the Property Council has 400 member companies from a variety of sectors, including the important manufactured homes sector. Our members represent a cross-section of the property sector and are spread across all asset classes, with over 330 individuals from these organisations represented across 14 industry committees.

Our members are proud to invest in, design, build and manage places that matter. They have a long-term interest in the future of Queensland and are committed to creating great cities, strong economies and sustainable communities. Further to that, our members are deeply passionate about working collaboratively with all levels of government to ensure that every Queenslander has access to fit-for-purpose safe housing. Our members are critical to assisting in the facilitation of the delivery of much needed supply to market.

Responding to Queensland's ongoing housing crisis will require bold and decisive action. The Property Council welcomes the intent of this bill in supporting the manufactured homes sector by ensuring that residential parks are fair and transparent; that the legislative framework for residential parks is contemporary and meets community expectations; and that the residential park business model is sustainable for home owners and park owners. As mentioned, the Property Council welcomes the intent of the bill and wholeheartedly acknowledges that the consumer protections and curation of safe communities is paramount. That said, we cannot support the recommendations that are within the bill given that they have the potential to impact the viability of manufactured home parks, ultimately creating a risk for the more than 38,000 Queenslanders who call them home.

The manufactured homes sector is a unique but very important part of the Queensland housing continuum, performing an important role between freehold housing, social housing and particularly for those on fixed incomes or for Queensland's ageing population. While manufactured homes support Queensland's ageing population, they should not be confused with retirement villages. The Property Council is concerned that these recommendations are aimed at creating consistency between the manufactured homes sector and retirement villages, which are very different. Retirement villages are an entirely different housing type to manufactured homes, governed by separate legislation and operated under a very different commercial arrangement, which includes deferred management fees. In contrast, the financial sustainability of manufactured home parks relies entirely on rental income, and we are concerned that capping rents within the manufactured home parks risks the viability and subsequently the quality of these parks and, further, erodes the investment of the residents.

The ongoing costs for operators are variable and include items such as council rates, water and utility costs, as well as costs associated with maintenance of common areas. Limiting the ability for parks to pay for these expenses when site margins are already small is risky. We are concerned that adopting these recommendations will undoubtedly render many manufactured home parks unviable, leaving operators with one of two choices: one, reducing the maintenance in order to reduce operating costs which will impact the quality of the parks along with the capital value of the homes and ultimately the residents' returns, jeopardising their investment; or, two, selling the park due to it being uneconomical which would result in the residents having to find somewhere else to live.

The Property Council would encourage the state government to undertake further modelling to measure the impact of the recommendations and supply of manufactured homes across the state. We note that the previous survey undertaken represents just five per cent of residents. Therefore, we believe there is a need to seek further data before significant reform is implemented.

As already stated, manufactured homes are a vital part of Queensland's housing solution. The fact that manufactured homes can be produced more quickly than traditional homes is key in helping to solve Queensland's housing crisis. This is evidenced by the state government quite rightly investing in the sector through QBuild and partnerships with the private manufactured homes sector, and the government is congratulated for this investment. To successfully contribute to solving Queensland's housing crisis, manufactured home parks must also be supported. Supporting the production of manufactured home parks by rendering manufactured home parks uneconomical is akin to cutting off a critical source of supply at a time when it has never been needed more.

The Property Council and our members remain committed to working with government to deliver the objectives of this bill without risking the closing or reduction of the quality of the manufactured home parks. In line with this commitment, we encourage the state government to pause this bill to further explore detailed modelling to create fit-for-purpose policy that includes education and awareness and that reflects this unique asset type and ensures that broad reform does not result in unintended consequences for residents, owners and operators. We recommend this modelling includes engagement with park operators, resident associations and state government departments working together to identify and mitigate any risk to the long-term viability of these parks.

In closing, the industry remains committed to working with both government and residents to ensure that this critical asset type not only serves to protect the investment of the residents but also enhances their quality of life. Thank you again for the opportunity to address the panel today.

**CHAIR:** Thank you, Jess. I will go straight to the member for Logan for a question.

**Mr POWER:** Ms Caire, I note that you represent a whole variety of property types and owners. With other property owners—for instance, someone who invested in an apartment and was renting that apartment—if they began to increase rents to a point where the resident found that it was unfair or not what they wanted to pay then they would have the ability to leave, wouldn't they?

**Ms Caire:** I cannot comment on individual scenarios like that. I am obviously here to represent—

**Mr POWER:** If you were renting an apartment and they charged you too much and there were other things you found more attractive, you would have the ability to leave.

**Ms Caire:** I could seek avenues, yes.

**Mr POWER:** That is not the case really with someone who has invested quite heavily in a manufactured home park where a good proportion of their life savings is stuck in a manufactured home.

**Ms Caire:** I cannot talk to individual site arrangements.

**Mr POWER:** Kirsty, you might acknowledge that people who live in manufactured homes do not have a lot of ability to change their investment. It is very difficult, as we have heard—and many of the submissions have stated—to take that manufactured home and move it to a different site for a different rental.

**Ms Chessher-Brown:** They obviously have the option to sell that home and move out of the park.

**Mr POWER:** They do but, if rents have been increased to a point where they are unattractive, it is possibly going to be unattractive for others so that diminishes the value of their investment in their manufactured home which is not moveable.

**Ms Chessher-Brown:** Perhaps, but I can take a current day example where our members report that there are high levels of demand for both new and existing manufactured homes. That is probably all I can comment on.

**Mr POWER:** You do acknowledge that it is very different from the normal relationship in a market where the renter can vote with their feet and change their rental situation?

**Ms Chessher-Brown:** Equally, going back to your example of the apartment, the body corporate fees in that particular apartment building may increase to a level where the owner is no longer able to support those body corporate fees. That would be a similar circumstance. In that circumstance the owner, again, could sell the apartment.

**Mr POWER:** The body corporate fees, though, do not go to the profit of an underlying owner. They are still collectively held by the body corporate.

**Ms Chessher-Brown:** Which is being used to maintain the property. It is a different model. I accept that manufactured home parks is a different model, as is, as Jess has illustrated, the retirement living model, as is the private market place. This is a very different model which people choose to buy into.

**Mr POWER:** No doubt. We recognise they are not retirement homes; it is a different financial model.

**Ms Chessher-Brown:** Yes.

**Mr POWER:** Nonetheless, they are marketed as over-50s and over-60s communities and their marketing very much assures people that there will be a retirement demographic moving in. Where a partner dies and their effective income changes radically, they do not have the same flexibility as if they were in an apartment or, indeed, in a house that they were renting or, indeed, if they were paying a loan on a house. They have a very limited ability to actually change their circumstances.

**Ms Chessher-Brown:** Unless they are to sell out of the particular manufactured home.

**Mr POWER:** Even with that, where the manufactured home is actually manufactured and there are still ongoing sales, you have no doubt heard from consumers that they feel they are disadvantaged when trying to sell their house and they have to do it at a steep discount.

**Ms Chessher-Brown:** I also understand from some of our members that some consumers and some prospective buyers actually prefer purchasing established stock rather than new stock in the particular park. I think that is very much a market and consumer preference. It is site-by-site based.

**Mr HART:** You both represent groups of people who are involved in the construction of new properties. How do you think the amendments in this bill will help us fix the current housing crisis?

**CHAIR:** I had disallowed that, but I am going to let you get away with it.

**Mr HART:** Chair, both the ladies mentioned the housing crisis.

**CHAIR:** I am going to let you get away with it this time. Clearly it is directed at policy, but I am allowing it.

**Mr HART:** Then why comment?

**CHAIR:** I am not going to be this nice all the time.

**Ms Caire:** Thank you, member for Burleigh. I will go first. There is obviously concern from our members that the amendments, if they go through as they are, will impact their investment within these parks and that is of a great concern. If we are not increasing supply then we are going to be in a situation where our housing crisis only worsens.

**Ms Chessher-Brown:** I would support what Jess has said and hopefully from our opening statement and submission you see that we do have concerns from our members around what this does to the particular way that they are currently operating in terms of investment certainty. Importantly, remember that decisions are made often in head offices well located outside Queensland in terms of where investment capital is likely to be placed and I would say, in speaking to some of those members, there is now a conscious thought around the continued placing of that investment in Queensland. While that is a business decision, at a deeply personal level that means that there are going to be fewer houses of this typology on the ground, which obviously goes back to the housing crisis. That is of particular concern to us and we think—and I acknowledged in my opening statement the concerns from residents—that there needs to be a much more measured and balanced approach to addressing those. We have, and have been committed to, over the past 12 to 18 months, trying to work with the department and other groups to find a more balanced way where we can address those concerns and ensure that we are able to continue to provide the amount of housing required for a growing population.

**Mr HART:** You would have heard the questions I have been asking about GST. As peak bodies, do you have any input on what effect that may have?

**Ms Berghofer:** I concur with Natalia Kwok's observations about how GST will impact on the pricing for the buybacks and then when the operator or park owner goes to sell that home the impact for them financially with the GST as it is currently structured.

**Mr HART:** Again as peak bodies, you would have seen the changes that were made under the Retirement Villages Act that put a very similar thing in place. How did that work out and, from your experience, will this work?

**Ms Berghofer:** I can speak to the retirement village legislation. The buyback regime in retirement village models is very different. Initially there was quite a significant amount of financial hardship that was incurred. It was an unintended consequence because due diligence had not been appropriately done for the different types of retirement villages in the Queensland market. It resulted in subsequent legislation being passed exempting those retirement villages which were facing, essentially, insolvency. That is our concern here. That was an unintended consequence that then had to be rectified. There were people hurt by that. There were, essentially, innocent scheme operators who had no say in any of that process and who were financially and reputationally impacted by that, and that is the core of our concern here.

**Mr HART:** When we were talking to some of the owners of parks, it occurred to me that capital investment going forward may not be able to be recovered without a market review. Possibly there are other mechanisms to increase the site rent there, but what are your thoughts on what will happen to future capital investment if there are no market reviews?

**Ms Berghofer:** It is a complex question, member. At the core of the issue is that the market rent review levels rents up to current costs, as we have heard from people appearing here today and previously. I think the issue is also the question around affordability. If new entrants into site agreements do not have a market rent review process and existing site agreements do not have a market rent review process, then new entrants coming in are subsidising essentially those older site agreements where market rent reviews are abolished. That then means the site rents are going to be quite expensive for new entrants into these parks, which does impact affordability for the parks. Aside from that, people are ageing in place. We have a whole new reform package coming through at the federal government level which supports people to live in their homes and receive care services. What that means is, if market rent reviews are abolished in existing site agreements and people are living in those homes for a lot longer—essentially until they need to move into aged care or hospital care—then in those circumstances operators are not able to reset that rent level as is anticipated in the decision regulation impact statement. This is a long tail that needs to play out before new entrants can come in and pay current market rents.

**Mr HART:** You heard from some of the residents that they cannot draw on the equity that they have in their properties. As peak bodies, are you discussing anything with the federal government about solving that particular issue, as it is a federal government issue?

**Ms Chessher-Brown:** I certainly have not had any discussions with our national organisation to date.

**Ms Caire:** Neither have I.

**CHAIR:** Given that we have heard today that a large portion of this sector is now building multimillion dollars homes overlooking golf courses and with access to bowling alleys, how will that help to solve the housing issues that we have?

**Ms Chessher-Brown:** It still does represent a contribution to housing supply. We have certainly seen those impacts front and centre over the past three years where different things have occurred in the market which have relied upon and have resulted in supply being taken up at an increased rate. We are working on a large number of policies across different levels of government at the moment, and our number one focus is: does this enhance and boost or restrict supply? There are well-documented notions from many levels of government and many economists that what we need to be focused on at the moment is supply and the price point of the homes that are being provided. I do not have any data to hand in terms of the median price of houses within the manufactured homes sector, but it is adding to supply in the housing market at the moment and quite significantly as well, I would say.

**Ms Berghofer:** I can assist with that as well. There is the new stock being built in these communities, but people are moving from their homes on large parcels of land in inner-city precincts where there is potentially better use of those sites. It can have flow-on benefits with housing supply as lots are freed up and those lots can be developed for higher density residential apartment complexes, for example.

**Ms Caire:** I would like to support those comments as well—that rightsizing. This asset type plays a critical role in boosting supply, which is the only way we are going to be able to meet the demand.

**CHAIR:** Certainly in terms of supply, if you have a product where the rent increases—

**Mr POWER:** A home.

**CHAIR:** You are absolutely right, member for Logan. I keep calling it a 'product', but it is a home for Queenslanders. It gives more surety and certainty for the sector if the people in those homes are not being faced with a rent increase driven by a market rent review. Once you level those rent increases out, that helps build certainty and that helps attract investors; would I be right in assuming that?

**Ms Chessher-Brown:** I will not respond directly to that, Chair, other than to say that in doing that we must also bear in mind the fact that it may restrict the delivery of future supply which other residents and other Queenslanders may be able to access at a point in time in their life and that is an important consideration as well.

**Mr POWER:** As they are making investment decisions, this is a very different investment than with other housing. If there is an oversupply of commercial real estate in a particular area or—unlikely though it seems—an oversupply of housing, there is a risk quotient that is taken on. Where we have an owner of the house but not the land, they are fixed in to paying their rent and there is a lot more certainty. For instance, there is not going to be any gap between one renter and another because they have a fixed agreement that, until there is a sale, they get it. It is a very different investment product in which there is a lot of security and, indeed, there are also strong returns. Is it very different from the other property products that you represent.

**Ms Berghofer:** Apologies, member. Would you be able to reiterate the question?

**Mr POWER:** Unlike other property investments where there is a great deal more risk, in these investments until you have sold the property you are guaranteed a rental return. There is a lot more risk in other properties. If you charge too much then they simply walk away and you get no rent whatsoever, which is not the case here.

**Ms Berghofer:** It is still a competitive market, and the more land-lease communities that are constructed the more competitive it is. As we have seen from the Fraser Coast region and the Logan region where this sector is maturing, there is more supply and more communities for people to buy into so rents still need to stay competitive. Although the homeowner cannot pick up the home and move it, they can sell the home. In that way I think it is very similar to freehold ownership and retirement village ownership. If retirement village operating costs are too excessive then it makes it no longer appealing to the market and residents have the choice to sell and find another buyer for their home.

At the end of the day, my view is it is around education when moving into these communities and understanding what it is that the future might look like under your site agreement. That is where I think there is a failure of the system because we do not have enough education about this sector. We do not have lawyers, a large number of lawyers, specialising. If you buy an apartment in a residential apartment complex, we now have a new property law bill which requires extensive disclosure around body corporate levies and costs that you incur moving into and living in an apartment complex. This sector has not caught up with those disclosure arrangements and the legal advice is very pithy. I think I saw one of the submissions where lawyers were charging \$500 for legal advice. In my view, respectfully, that is not comprehensive legal advice about the risks of buying into any type of residential property, as it is one that is purely a factor of legislation and quite complex legislation.

**CHAIR:** We are running out of time. Member for Theodore, do you want to ask a quick question before we move on?

**Mr BOOTHMAN:** I notice in your submission you were talking about further standardisation of site agreements. Can you elaborate on what you mean by that? Obviously there is a lot of confusion and anger among the residents of these facilities that the site agreements can be quite complex and there are different site agreements for different individuals.

**Ms Berghofer:** I 100 per cent agree with the proposal to simplify site agreements and improve disclosure through the comparison document. If retirement village sector is reviewed you would absolutely see that that has improved the relations and disclosures with residents and retirement village operators. Unfortunately, we cannot speak to the failures of the legislation and the way it has worked in the past. Site agreements do not take the form of any sort of approved form, like a REIQ contract. That is where there can be improvement. But, yes, there are a large variety of site agreements and you have to read each and every one on a case-by-case basis.

**Mr BOOTHMAN:** It makes it very confusing.

**CHAIR:** Thank you for that.

PROOF

**WESTON, Ms Michelle, Chief Executive Officer, Caravan Parks Association Queensland**

**CHAIR:** Welcome. I invite you to make a brief opening statement and then we will have some questions for you.

**Ms Weston:** Thank you for the opportunity to speak to you today and to highlight our concerns about the bill. I am here to express significant concerns, particularly the fact that it will impact investment and operational sustainability, even more so for older, purely residential parks and for all mixed-use parks. These concerns are based on direct feedback from industry stakeholders and are further underscored by recent phone calls we have received.

First, let me address the direct impacts already being felt. In the last week I have received a phone call from a tourist park operator considering the purchase of an existing residential park who withdrew his offer after understanding the implications of the bill. This clearly indicates a retreat from investment due to the perceived risks set to be introduced. Another call was received from a home owners' association representative seeking assistance for a home owner needing to relocate their manufactured home. Unfortunately, I had to inform them that none of our member parks are currently accepting new homes. This is directly due to uncertainties and potential operational changes stemming from the proposed bill, with many of our members indicating they are now contemplating exiting the sector altogether.

In our submission we outlined our key concerns that will have disproportionate impacts on our members, which are mainly mixed-use parks, many in regional Queensland. In the long run, these changes will also disadvantage home owners, with less investment in the industry in terms of both greenfield sites and the upkeep of existing sites.

While there are several aspects of the bill that concern us, of utmost concern is limiting site rent increases to the higher of CPI or 3.5 per cent, particularly with the removal of market rent reviews. With rising costs and capped revenues, the quality of parks can be expected to deteriorate, negatively impacting residents. Further, in some instances this cut will impact the financial viability of the park, particularly where site rent is the only income stream.

Second to site rent caps is our concern about the proposed buyback scheme, which not only is unnecessary but will put significant financial burden on park owners unless those park owners have access to easy finance, which most of our members do not. The proposed buyback scheme will also be to the detriment of home owners, with many park owners currently offering immediate hardship arrangements where site rent can be deferred and paid back following the settlement of their home. Our members have indicated that they will be removing this option if the buyback scheme is introduced. This will see the current immediate relief removed in place of financial relief for home owners in 12 to 18 months, often too late to make a real difference.

In relation to the other proposed amendments, we are supportive of the simplified sales process and do not object to the park comparison document, although we do wish to note the difficulties this will create for mixed-use parks with just a small number of homes. The elimination of market reviews removes the incentive for park owners to continually improve their park, and the maintenance and capital replacement plan fails to understand the complex nature of these businesses and the fact that park owners do not share in any of the capital gain the home owner receives as a direct result of the improved facilities in the park when they sell their home.

I would also like to bring to your attention our recommendation that was beyond the scope of the bill, which relates to homes that need upgrades to make them safe and in some cases fit for human habitation. This recommendation can be found on page 14 of our submission.

While the intention of the bill to protect residents is commendable, as it stands it will be counterproductive amidst the current housing crisis. It will reduce investment, limit funds available for upgrades and complicate the operational landscape for park owners. I urge the committee to seriously consider these implications and work towards amendments that ensure the future viability and quality of our member parks while protecting the rights and wellbeing of home owners both now and into the future.

**CHAIR:** As the Caravan Parks Association, do you represent literally the caravan park owners, that is, the businesses that operate those?

**Ms Weston:** That is correct.

**CHAIR:** That would be a mix of businesses on a long-term lease from the local council for the land or own the land freehold; is that correct?



**Ms Weston:** We have a little bit of everything in the mix. There are some which are leasehold which are a council arrangement. There are some that are leasehold from a private owner. There are some that are freehold.

**CHAIR:** How many members do you have?

**Ms Weston:** We have 335 member parks, and 72 of those offer manufactured homes. Of that 72, 80 per cent of them are mixed-use parks.

**CHAIR:** In my area those are the parks that originally started out as caravan parks on the highway and they have moved to being a site for mobile homes and then manufactured homes. Would that be the case for most of your members?

**Ms Weston:** In a lot of regional Queensland, some form of residential offering is very attractive because it offers consistent cash flow throughout the year. Parks will generally take up one of two options: putting in manufactured homes or offering residential tenancy sites.

**CHAIR:** I am thinking about the ones that I have seen in regional areas where you have a real mixture of the age of homes. Some of them are literally old caravans on their axles, others are aged modular homes and there are a few with new ones. There is a real mixture, isn't there?

**Ms Weston:** Yes, and I think that goes to the question asked by the member for Logan about someone who can no longer afford the site rent. There are actually a number of price points within the industry. We have a member on the Gold Coast who indicated that a manufactured home in their park sold for a little over \$100,000. When you compare that to the homes selling for a million dollars, yes, the facilities available are quite different but there are price points that are available if people do want to further downsize from their original home in the community.

**CHAIR:** You said that you have a number of members who have been there a while and they want to onsell their property for further development or to one of the big operators. That is probably something that you have seen happen amongst your membership.

**Ms Weston:** Again, there is a range of things that happen within the industry. We are seeing a lot of new investment from mum-and-dad investors who are looking to buy a property that they can build on. We have seen some parks purchased by the corporate groups. In recent years, however, there has been less of that where it is a tourist facility and more in terms of parks that were already residential parks.

**Mr HART:** What is the trend that is happening with caravan parks? Is it more moving towards tourism and come-and-go caravans, or are people actually living there full time?

**Ms Weston:** There is a little bit of everything happening. We have been in a really unique situation over the last four or five years where the attraction of a caravanning holiday has never been more popular, but at the same time there is a real serious housing crisis and caravan parks do offer an affordable housing option. In some instances we have seen a shift towards housing, and in other areas we have seen a shift towards tourism. I guess the one trend that I have seen consistently across the state is a move away from manufactured homes within the parks. If they are offering housing, they are looking at using the residential tenancies act with the moveable dwelling component of that act.

**Mr HART:** Are councils tending to do that more? I am from the Gold Coast. I know that is happening down there.

**Ms Weston:** Most of the council parks are actually purely tourist parks. A few of them do have residents living in them but those are often legacy arrangements. As I understand it, the councils have given those small number of residents very, very long notice periods to let them know that that will no longer be an option and when they want to move out that will basically be the end of that site as a residential option.

**Mr HART:** We are talking about low-cost housing in your caravan parks. Is your view that this bill is not going to assist that trend to keep happening?

**Ms Weston:** That is correct. With this bill, based on the feedback from our members, they will move away from offering that lower end manufactured housing.

**Mr HART:** In a housing crisis, this is probably not what we need to be doing.

**Ms Weston:** That would be our position.

**CHAIR:** I take that as a comment. Thank you, member for Burleigh.

**Mr POWER:** You obviously represent the caravan parks where you have people who, by definition, have a home that is mobile. In as little as a day, sometimes with a bit of effort if they have put in an awning, pot plants and those sorts of the things, they can vote with their feet and move if the rents become too high in a particular caravan park.

**Ms Weston:** Can I just clarify. There are two pieces of legislation that relate to people living in caravan parks. If you live in a caravan park in your caravan or your motorhome, which is that scenario where you can quickly move it, that is residential tenancies.

**Mr POWER:** I am very aware of this.

**Ms Weston:** From a manufactured home point of view, in a lot of cases the manufactured homes were actually brought in pre-1989 which is when the first act came in. They were brought in on a tow truck and slid onto the site in the same way that a caravan would have been. The newer ones are generally brought in on a truck and then craned onto a site.

**Mr POWER:** Thank you. I am aware of that. There are three types of things really. There are complete caravans, which are governed under a different act and I am very aware of that. That is a very competitive market because you can move as soon as you want. There are those that come in on a trailer, are slid into place and have the potential to be moved, even though it is a bit more difficult. Then there are things that have come in more recently which are virtually impossible to move and effectively lock in the person who has put considerable equity into that site, and they therefore have a very different relationship with the park owner. Would that be fair to say?

**Ms Weston:** I stand by my earlier statement that those ones come in at a much higher price point, so there are lower price points that those residents can downsize to if they do have financial stress.

**Mr POWER:** So you are only saying if they sell their existing one—

**Ms Weston:** That is correct.

**Mr POWER:** That process can be quite tough. I do note that some of the legacy caravan parks that are engaged in this and have dual use do have that variety, but most parks do not have that variety of different housing stock, do they?

**Ms Weston:** Generally it would require moving to a different park. That is correct.

**Mr POWER:** And the sale, which is already devalued by the much higher rents.

**Ms Weston:** We have established in the CRIS that the average length of time to sell at the moment is about 30 days. I would say that is not a serious barrier to exit at the moment.

**Mr POWER:** You do agree though that having a home on an axle and wheels that can be taken away is very different to having a fixed house within a manufactured home park.

**Ms Weston:** There is a difference—that is, when the person who owns the manufactured home sells their home, they actually walk away with a bundle of cash that allows them to move into another home. Whereas, if you are in a caravan on wheels, you walk away no different to when you walked in.

**Mr POWER:** With a portable home.

**Ms Weston:** With your home.

**Mr POWER:** And the ability to get cheaper rent.

**Ms Weston:** Potentially.

**CHAIR:** Thank you, Michelle. We do appreciate your time today.

**BROWN, Mr Jamie, Asset Manager, Hometown Australia Communities**

**TOUSSAINT, Ms Lauren, Compliance and Operations, Hometown Australia Communities**

**CHAIR:** Welcome. I invite you to make an opening statement and then we will have some questions for you.

**Mr Brown:** I have a few points here. No doubt you have heard most of it today so bear with me as I will be a little bit repetitive. Hometown Australia has 19 established residential parks in Queensland. Hometown Australia supports fair and transparent legislation and encourages changes that balance the protection for both the consumer and park owners. The amendments were informed by 2,221 survey participants in 2022 out of 38,000, equating to fewer than six per cent of home owners in Queensland residential parks.

We are not opposed to reasonable changes. However, there has been inadequate consultation and consideration to the very real effects the bill could have on the industry and future supply. The financial and administrative burden the amendments place on park owners makes for an unattractive sector for future growth for existing park owners and new investors who are not incentivised to provide additional affordable housing options. Home owners hold significant value in their homes, which in part is attributed to the attractiveness of residential parks. They receive a financial benefit of well-maintained and viable parks. For example, since our time owning a residential park in Bethania there have been four homes sold twice. The average resale price was \$318,000, which is \$79,000, or 37 per cent, higher than the first sale.

Any ability to maintain and improve parks will disadvantage home owners. The amendments have not considered how these changes will impact the home owner's capital gain. In almost all cases, park owners do not share in a home owner's profit when they sell their home. With the removal of market rent and the addition of a rent cap, park owners will need to find a way to meet financial commitments either through withholding expenditure or by setting income site rent at an amount that compensates for the rent cap, which is not in the spirit of this affordable housing industry.

One of the policy objectives of the bill is that the residential park business model is sustainable for home owners and park owners. There is no amendment to the provision in the act that allows home owners to challenge site rent increases through the tribunal. Currently where a home owner believes a site rent increase is excessive or unfair, they can seek an order through the tribunal to have a rent increase reduced or set aside. Home owners already have protection under the act with respect to excessive site rents, but this leaves no protection for park owners regarding future site rent increases or the park's sustainability. This has not been thought through. We are not opposed to omitting market rent review increases so long as the increase method agreed by the parties continues to take effect without being subject to a rent cap. This is a private rental sector and rent caps do not exist in any other rental sector. This is a hindrance on our business and commitments.

Lastly, the bill admits an approved way to pay rent by a method agreed between a park owner and a home owner. Site agreement terms are agreed between the parties and it makes absolutely no sense why this contract or right has been removed. The payment method that is contemporary—a word quoted in the policy objectives—is direct debit. Eighty-four per cent of our Queensland residents pay via direct debit and they certainly should be able to continue with this. We urge the committee to pause this reform to allow for further consultation with park owners and the 94 per cent of residents who did not partake in the 2022 survey.

**CHAIR:** From what we have been informed, proposed section 63C includes direct debit. That is what we understand. If we think there has been a misconception, we will certainly clarify that with the department.

**Mr Brown:** Understood.

**CHAIR:** Hometown is an interesting player. Who owns Hometown?

**Mr Brown:** Hometown Australia is a business in itself. There is a parent company in the US called Hometown America. That is basically where the majority of funding comes from.

**CHAIR:** I know you are an operator, but how many parks have you acquired since you came into the Queensland market?

**Mr Brown:** Up and down the eastern seaboard there is in excess of 60 parks and in Queensland there is 19.

**CHAIR:** That is a significant acquisition.

**Mr Brown:** Very much so.

**CHAIR:** There are a couple of different things I want to chat about. I know there are 19 different communities here in Queensland, but under Hometown Australia's group what is the policy with making sure home owner committees are included, they have a say and they can partake in decision-making? Do you have a set policy about that?

**Mr Brown:** It is not a set policy as such; it is a general understanding. We try to encourage the committees or representatives to meet with the community managers on a regular basis. The process is actually quite straightforward. They have a list of things they would like to get done in the park or be updated on. We go through the list and the list does not get any smaller. It keeps getting added to all the time, so we just keep working through it on a month-by-month basis.

**CHAIR:** In terms of your structure in Queensland and Australia—you have 60 across the eastern seaboard and 19 in Queensland—how does your corporate structure work in Queensland? I am not even sure what your role is in the company.

**Mr Brown:** I beg your pardon. I am the asset manager for Queensland. Underneath me I have two area managers and from there we have a flat structure of community managers throughout the 19 parks.

**CHAIR:** Lauren, are you in a different silo to asset management?

**Ms Toussaint:** Yes. I work with all of the asset managers across all communities.

**CHAIR:** Do both of you report to an Australian manager?

**Mr Brown:** That is correct.

**CHAIR:** Above you there is one more tier; is that correct?

**Mr Brown:** There is one more tier and then the directors, yes.

**CHAIR:** How many directors do you have?

**Mr Brown:** Two.

**CHAIR:** Do they come from the parent company in the US?

**Mr Brown:** No, they are from Australia.

**CHAIR:** I have more questions, but I will go to the member for Burleigh first.

**Mr HART:** You operate on the eastern seaboard. What is the situation in New South Wales and Victoria with regard to changes that have been made here?

**Mr Brown:** That is a good question. I might pass that on to my colleague.

**Ms Toussaint:** New South Wales is going through a review of their legislation at the moment but we do not have an update. This one has come through first. We do not have any communities in Victoria, so I am not across the legislation in Victoria.

**Mr HART:** How do you handle dispute resolution with your residents?

**Ms Toussaint:** It is similar to Queensland in that they reach out to us and we have a meeting, or there is the tribunal option. The tribunal in New South Wales is much quicker than what we have seen in Queensland. It is never the preferred option, but when residents do wish to take us to the tribunal or we have disputes it is a much quicker process.

**Mr HART:** What is the tribunal in New South Wales?

**Ms Toussaint:** New South Wales Civil and Administrative Tribunal, NCAT.

**Mr HART:** Same?

**Ms Toussaint:** Yes, but it is quicker.

**Mr HART:** Typically, how long is it in Queensland and New South Wales? Can you tell us or have a guess at it?

**Ms Toussaint:** We have one case in Queensland that has been before the tribunal since 2020.

**Mr HART:** And in New South Wales?

**Ms Toussaint:** It would be 12 months maximum, and that would be for a complicated matter. We see from the time of application to a decision it is generally about six months.

**Mr HART:** What is the level of responsibility of your park managers? Can they make a decision about something that costs a set figure, or is it mainly about the aesthetics of the park? What is their decision-making process?

**Mr Brown:** The final buck does not stop with them, but there are certain tiers in terms of what they have responsibility for. From a budgeting point of view, they have their budget in front of them and they know how much they can and cannot spend. Anything above that they would have to escalate to me.

**Mr HART:** What are your thoughts on the buyback program?

**Mr Brown:** I am not too concerned about it because I do not think it is really going to affect us. I say that based on my current experience. Rarely has a house been on the market for 18 months. The only exception would be if there were children of the deceased who may be arguing amongst each other and that is in the hands of the lawyers. I am not too concerned about it all. I do not think it will really happen to us. Our resales over the years have been quite strong.

**Mr HART:** What is the price range of your sites?

**Mr Brown:** The average minimum is \$344,000 and the highest average is \$440,000. That was between 2021 and 2024.

**Mr HART:** How many sites in total are there?

**Mr Brown:** We have around 3,200 sites across Queensland.

**Mr POWER:** I want to get some detail about the direct debit. Under 'meaning of approved way' the bill states—

(c) deposit to a financial institution account nominated by the park owner;

It also states—

(f) deduction from pay, pension or other benefit payable to the home owner.

Is there anything in particular about that language that was a concern? That does seem to cover direct debit on the face of it, but was there a particular concern about the language?

**Mr Brown:** We just want to clarify that direct debit was still there and I think that has been established.

**Mr POWER:** That would come under 'deposit to a financial institution', so we will get the reply from the department.

**CHAIR:** I think it is clear, but we will get clarification. Are there any other questions?

**Mr POWER:** No, I just wanted to clarify that because we heard it from another submitter as well.

**CHAIR:** Thank you, Jamie and Lauren.

**NICHOLS, Mr Rob, Managing Partner, Tasman Capital Partners**

**CHAIR:** I invite you to make a brief opening statement and then we will have some questions for you.

**Mr Nichols:** Thank you for the opportunity at late notice to come and address the committee. I sit here with a number of hats, so I will declare my interest, if that is okay. I am the founder of a private equity group called Tasman Capital Partners, which is a mid-market private equity firm. Effectively, we source capital from institutional investors around the world and we deploy it into opportunities within Australia and New Zealand. I am also the founder of a group called Tasman Lifestyle Continuum, which is now part of the Hometown business which was sold to them seven years ago. I founded that business in 2012. I also founded another business called Serenitas, which was founded in 2017. I am the executive chairman and the CEO of Serenitas. I am also the chair and the founder of the Tasman Holiday Parks, which is Australia's third biggest holiday park operator. That operates across Australia in all markets and New Zealand.

The reason I raise all that is to make sure you understand that I have different hats, but the hat I wear today is primarily sitting here as an investor. I am not normally the sort of person to approach and brief a committee, so forgive me if I am not sharp on this.

**CHAIR:** That is fine. We try not to be too scary.

**Mr Nichols:** Over the course of the last 12 years, Tasman has introduced a significant amount of capital to the manufactured home estate sector in Australia. We have introduced around \$830 million of capital. That has primarily come from overseas institutions which are called sovereign wealth funds. One of our clients, which is on the record, is GIC, which is one of the world's larger ones. They do not disclose how large they are, but it is a sovereign wealth fund of Singapore. We do have another sovereign wealth client which we are not permitted to disclose the name of. We have also worked with Australian institutions over an extended period of time. These investors have been joined recently by a very large Australian listed company, Stockland. You heard from Halcyon earlier today, a very large listed company, and also Mirvac, which has become an investor of Serenitas as of the end of February. There are many other large institutions in Australia which have invested into the sector.

The reason these investors have been prepared to invest in the MHE sector is that, historically, Queensland as a sector has been very well regulated and has been perceived to have a very low sovereign risk. The support the federal government has given to the sector has been significant and it has been very attractive for investors to look at this sector in terms of regulatory risk but also returns. You would be aware as a committee that the CRA, or the Centrelink rent assistance, was increased last September by a record amount for six months, by 15 per cent. That was in recognition of obviously the housing crisis but also the need to underpin rental as a product and as a housing option within Australia.

The potential imposition of rent controls for the first time in Australia through the proposed legislation may well change the perception of sovereign risk within the state of Queensland. The fear of rent caps may have flow-on impacts to other housing modalities such as build to rent and other emerging models which are yet to take hold in Australia such as multi-family housing, co-living and also all ages manufactured home estates, which is a significant sector within America. To give you a feel for the difference between Australia and America in terms of maturity, about seven per cent of the population in America lives within MHEs. In Australia—and you can tell from the numbers that your research has covered as well, being 38,000—it is under two per cent. That is the opportunity and also the risk. The opportunity is to really deliver an affordable housing product to the consumers of housing requirements in Queensland and across Australia.

In terms of rent increases, no-one likes paying higher rent, and I think we have heard that from multiple parties today. The rent increases which were quoted earlier in Leigh Chadwick's study of 87 different MHEs in Queensland was 3.99 per cent over a six-year period. The equivalent from the government website Residential Tenancies Authority was 7.32 per cent for the last six years. In some ways it would appear the issue of rent increases and affordability probably lies outside the sector. It probably lies in the wider market than the residential market. There is evidence, which has been presented today by other operators, which has been talking about the price growth of homes. Serenitas in its submission noted a range of outcomes where home owners have benefited massively from growth in capital value of homes relative to the growth in the rent. I think that is appropriate.

Ultimately, this is a partnership between investors and that includes superannuation funds which most of you would be members of. All those super funds would have a position within Mirvac or Stockland. ART, one of the biggest investors in Queensland—the old Sunsuper Group—has Logan

investments in the sector, too. It needs to work for all parties. It cannot just walk for the operators, the investors or the home owners. Ultimately, it has to work. Being frank, Queensland is the premier market of MHE and you guys should not lose focus of that. This sector in Queensland is streets ahead of where New South Wales is and it is streets ahead of where Victoria is in terms of product quality and regulation. WA is probably the second most sophisticated market, in our view. Serenitas does operate across the whole of Australia except for South Australia. We will be looking at that market over time.

The one challenge of this review, and I want to take up what Michelle was saying before, is the mixed-use caravan parks. We are all talking about the million-dollar views from a house over the golf course and to the lake and all that good stuff, but the reality is that this product is affordable. In terms of the Tasman Holiday Parks, if I can put that hat on for a second, we own nine parks within Queensland. A number of those parks have obviously tourism and also manufactured homes as well as vans and annexes, which there were various questions on. A lot of the mixed-use caravan park operators—and Michelle can talk about this further if she wants to—are smaller. It is not really part of what the large groups do. It is a much more complex business.

To be frank, to give you some numbers, as an investor—which is why I am here, putting my hat on—an average manufactured home site within a mixed-use park would probably produce between \$10,000 and \$11,000 post GST—GST of 5.4 per cent. By contrast, a holiday park site, when you use that for tourism, can be anywhere between \$30,000 and \$90,000 per year. The challenge you have is if you start bringing in regulation that makes it too hard for those smaller operators or the mixed-use park operators then a very large chunk of affordable accommodation—and this is not the Halcyons or the Palm Lakes; this is the \$20,000 through to \$200,000 category—will disappear because, from an operator perspective, they have a small balance sheet. Are they going to take the risk of buybacks? Probably not. The reality is a larger MHE operator—and I agree with what Hometown said—do have a marketing database so they do have buyers for their homes. It is a very different game from that perspective. Let me just check my notes.

**CHAIR:** Thank you. Unless there is something you want to finish off with, Rob, we might jump into questions.

**Mr Nichols:** There has been a misconception in this room about how much money people are making in the sector, and there were some numbers quoted on Ingenia et cetera. It is very important that numbers are not taken out of context. Under confidentiality, we would be happy to be very open book, as I am sure other operators in the sector would be, but I can give you some ballpark numbers to frame it because there have been some wild numbers thrown around.

A manufactured home park that is a purpose-built facility, such as Hometown, Serenitas, Palm Lake et cetera, would generally trade at a very sharp cap rate. A cap rate is just another term for how much return you get from that asset. A \$10 million manufactured home park would typically produce between five per cent and six per cent net operating income, so that is before reinvestment. The typical capital structure that the banks will allow operators of scale like us is to borrow 50 per cent. That means we now have, ignoring stamp duty which for a foreign player in this market is about 13 per cent with foreign duty—ignoring that for one second—that leaves you basically with \$5 million of equity in the business. That is before applying any overheads. There have been numbers bandied around, even by the home owners' association earlier, of up to 15 per cent of overheads. Ignore that for one second. You are now paying six per cent on \$5 million of debt. That is \$300,000. We are going from \$500,000, taken off 300 and we are down to 200. As an institutional investor, they will typically pay 15 per cent for something called the managed investment trust scheme. It is effectively a structure that is lower than corporate tax rates, and that is how everyone tries to structure their investments in this sector. You then pay another, say, \$20,000 on that return. We are now down at \$180,000. That is on a total asset value, ignoring stamp duty, of \$10 million. You guys can do the sums. That is less than two per cent. If we then look at that from an equity perspective—

**Mr POWER:** I hope your institutional investors are not listening.

**CHAIR:** That is fine. They do not listen to parliament.

**Mr Nichols:** This is where it sits today. When interest rates were at 0.1 per cent, it was a different game; there were returns made from a mature park. On the equity, of course, it is better because you have leverage, so the return is potentially doubled—let's say, just under four per cent. That is where it sits today when interest rates are at six to 6½ per cent with gearing at 50 per cent, which some people would argue is aggressive. Ingenia would not gear at 50 per cent, but private operators would.

**CHAIR:** Thank you for that, Rob. I was listening very carefully and I would love to talk more on that. One of the things we do know and one of the things we gained from you addressing us here is that investment has been flowing forward in recent years—quite strong investment. When Stockland bought Halcyon in 2021, they said their operating margin was at 65 per cent. That is the operating margin, bear in mind, but it is still an indication of quite a healthy sector. It will still remain healthy and still remain attractive.

**Mr Nichols:** I think the challenge is that it is a competition for capital. We talked about the residential rents going up by 7.32 per cent versus 3.99. My investors have a choice. They do not need to invest in Australia or Queensland. Within the Serenitas ecosystem, we invest in every single state. If I cannot get my return on my capital in this state then the capital will flow to another state, or if you cannot get the return in this country then it will flow to another country. That is the reality of capital. It needs to find a place.

Traditionally, as I said, Queensland has been the premier market for this modality of accommodation and that is full credit to your forebears and so forth. However, the reality is there are choices for investors as to where money goes, and I think you do miss the opportunity potentially of manufactured home estates for all ages, which I think is a big part of the solution to the housing crisis.

**CHAIR:** Certainly I would contend, even with this regulation, it will still remain very attractive.

**Mr Nichols:** Yes, and I do not dispute that because of growth. The growth is attractive, but in regards to returns, I am better off putting my money in a 90-day term deposit than putting it at a less than four per cent return in the sector, and that is with a AAA rating on a government bond.

**Mr POWER:** You know this talking down your own book is recorded, don't not?

**Mr Nichols:** But it is the reality of where we are today. Serenitas at this point would not buy a mature park because we cannot get the numbers to stack.

**Mr POWER:** We have seen this huge consolidation in the market, though, with big corporates buying in.

**CHAIR:** There must be something attractive about it.

**Mr POWER:** That was the question. This is something where there has been a huge shift of corporates coming in and buying the smaller players. They must see a return in it.

**Mr Nichols:** Traditionally, with interest rates a lot lower, the returns were double, to give you an example. Before the introduction of foreign purchaser duty it was much more attractive, too.

**Mr POWER:** Respectfully, though, with very low interest rates, other leveraged investments also had that so they must have seen a return in it, regardless of interest rates.

**Mr Nichols:** The attraction to this sector is definitely around the need. The ageing demographic definitely underpins future demand for this product, which definitely attracts investors. It is a very big institutional asset class in the US. The biggest villages in the US, for example, are up to 50,000 homes.

**CHAIR:** We are running out of time, but I still have more questions. With respect to the CRA, I think in terms of sovereign risk, from what you have said here, that is the biggest government intervention regulatory issue that affects viabilities. If you do not have the CRA, that changes everything for your investors, doesn't not?

**Mr Nichols:** I think it does, absolutely. The CRA is very important for the pensioner. There are business operators who are not focused on the pension market, which are the higher-end product. If you are looking at the mixed-use caravan parks with the \$20,000 to \$200,000 product; if you are looking at the mid market of manufactured home estates, say, from \$300 through to \$650—that is the pensioner homeland. Anyone who qualifies for a part pension gets the CRA, which is fantastic. That definitely helps the underpin, so as an investor you are getting the benefit of a sovereign underpin which is valuable. It is also good, similarly, for home owners, too.

**Mr HART:** Rob, you said you put \$800 million-something into this sector from your investors.

**Mr Nichols:** Correct.

**Mr HART:** What is your advice moving forward to your investors if this bill passes, as far as investment in this sector goes?

**Mr Nichols:** It is challenging. There are some good aspects of this bill and there are some challenging aspects of it. We have dealt with the direct debit thing to death. The one you are talking about is direct credit whereas direct debit is different, but we can sort out the wording. I think a lot of the other operators did not have this view, but pegging to the Australian CPI is appropriate because Logan



that is what the pension and CRA is linked to typically so that is more appropriate than Queensland, in my view. On the buyback, I do not think the larger operators will have much issue with that. The GST issue that you mentioned is significant. It is a leakage of 10 per cent, which needs to be remedied. The rent capping, as an indicator of sovereign risk for this state, I do not think is a way of attracting capital to this state over other states that do not have that risk. The risk of it spreading, a contagion of policy going across other modalities of accommodation, I think, is something that will frighten definitely all of my investors and anyone who is relatively sane.

**CHAIR:** That is the first time I have heard rent cap referred to as a contagion. I can understand that.

**Mr HART:** What sort of return does a sovereign fund look to make each year?

**Mr Nichols:** Typically, sovereign funds are investing their capital surplus overseas. That is what a number of funds do. They are always trying to make a real return. Making CPI does not cut the mustard for any investor. If your choice is making a CPI return or making a market risk return, you always take the higher return even though it involves higher risk, otherwise why bother?

**Mr HART:** So seven, eight, 10 per cent?

**Mr Nichols:** It depends on, again, the risk-free rate at the time. Obviously, seven to eight per cent now is probably less attractive than it was when interest rates were at 10 basis points.

**Mr BOOTHMAN:** When it comes to the actual asset of the land itself, obviously that is primarily where a lot of the money is tied up.

**Mr Nichols:** Correct.

**Mr BOOTHMAN:** When it comes to these businesses, what type of debt levels would they have in terms of borrowings to build these facilities?

**Mr Nichols:** The level of leveraging you get for a mature community is very different to a developing community. A lot of developers get in trouble with obviously the development funding, which is typically what you might call a revolving facility—you sell a home, pay down some debt, borrow some more and it keeps rolling forward. Typically, that level of debt is lower. If you said 50 per cent for mature, you would probably back that off by at least 10 to 15 per cent.

**Mr BOOTHMAN:** Obviously the value of these assets is increasing over time with the price of land, certainly in Queensland, skyrocketing. Wouldn't the investors make a potential financial gain from that increase in land value?

**Mr Nichols:** Only to the extent the cash flow of that land increases over time. If the cash flow is pegged or capped then that land value will reduce unless there is an alternate use of that land. Serenitas, and I am sure the other operators here, are not in the game of building a community and then selling it as residential or retail later. It is not a land-banking business. This is the commitment we give to our home owners when we take their money and invest alongside them. The journey is that we are not going to change the use of that land. We are never going to capture the upside which is outside the rental cash flow, the NOI, of this asset class.

**CHAIR:** We have well and truly run out of time. Rob, thank you very much for coming along today and chatting to us.

**BOOKER, Mr Angus, Chief Executive Officer, SEQ Properties**

**JIMENEZ-MEDINA, Mr James, Ignition One**

**JONES, Mr Ken, Chairman, Rent and Affordability Group, Halcyon Greens**

**IRWIN, Mr David, Chairman, Home Owners Committee, Amber Living Gems**

**CHAIR:** I invite you to make a brief three-minute statement and then we may have some questions at the end, depending on the time left.

**Mr Booker:** SEQ Properties is a minnow in the room compared to some of the operators here, so if you want the perspective of a small operator in the market I think I can provide that. As a family business, we have two parks. One is a complete tourist play and then we have another mixed-use park which is about a third, a third, a third—a third manufactured homes, a third 18b RTA and a third tourism. We have been operating for 30 years and we have owned the park with MHE since 2000, so we have been in it a long time. I do not have a bowling alley. I do have a community hall; I would not call it a clubhouse. We have a very happy community. I say that because I have never, in the 12 years since I took over from my dad, been to the tribunal once with an MHE resident and I have never had any dispute over rent. People do not like paying more rent, but we have never actively been in a dispute. Our residents, I would think, are sufficiently happy that we do not even have an HOC. We have a town hall meeting twice a year. We have a very engaged management team that is in and around that community all of the time. I think we have a great relationship.

I have some significant concerns around the legislation, and I will be frank around those. I applaud transparency and I applaud the comparison document. I think that is a fantastic tool. If we are doing our job correctly, that will act as a marketing tool for us and show that we are competitive in the market. I am significantly concerned about rent capping. I think that will have a short-term positive effect for residents, but in the sense of what you have just heard from Rob Nichols and Michelle Weston over the longer term that will really shape how operators reinvest back into the park. At best you will see parks level out, but I think at worst you will start to see them slip. I will talk to that in a second.

If I look back over the sales of the last six years, every house I have seen sell twice has doubled in value. We are probably right in that segment that is probably the concern of this committee. The million-dollar properties are interesting and they make good fanfare, but we are flat bang in the \$300,000 to \$450,000 market. I know people who have bought places for \$220,000. I have one on the market at the moment that sold five years ago for \$220,000 and it is now on the market for \$480,000, so that is a significant capital gain right there.

I am really concerned that, if we get 3.5 per cent and we do not go to market and people are picking up capital gains, over time our ability, particularly in an older park, is really limited to reinvest. I will tell you a couple of things. At the moment I have copper wire. I think most of the world has probably forgotten about copper wire. I have a telephone network that is now starting to corrode after 30 years. The capital value of what I need to reinvest in that is going to be substantial. I have just agreed on roads and I have just agreed on a piece of electricity infrastructure. These are serious, serious costs. I believe we are a very reputable operator, but I am concerned that over time if I am only gaining 3.5 per cent then I have real issues about reinvesting in those parks, especially the old parks.

I have a couple of issues with the buyback scheme. For a small operator, that is a lot of capital potentially being locked up. If I had two parks in a year locked up in that, if you look at our turnover that is \$800,000 of working capital I would have to have on hand to deploy in that situation. In a small business, that is extraordinary. My bank would want to know about that. I would have to hold a contingent liability. That would be extremely detrimental to our business and it would be extremely unfair.

The second part of that—and this is my read of the legislation—is that if I sold a park to someone 10 years ago and they sold it to someone else who sold it to someone else, then if that person could not get the price they want in the market I am back on the hook! In which real estate market does that happen? I think this is a complete distortion of part of the real estate market. If some of these changes go through they are going to isolate this industry from capital. You just heard the big end of town say that they would take their dollars elsewhere.

I will give you one more example. Let us just say I have one-third MHE, one-third tourism and one-third 18b. They are the caravans that do not have wheels. I contest the idea that that is an easily transferrable product. They are probably the last things you can move. If I was thinking, 'That 18b is getting really old and we need to reinvest in the park', I have a third of the park to go. On 3.5 per cent I would be crazy to build new homes for Queensland because I would take that capital and pour it into tourism. Those two items in the legislation by themselves are really limiting to this industry. It would be a terrible own goal for Queensland if we went down this path and did this. It would be a short-term gain. Maybe, going to what the member said earlier, it is about votes, but right now if you do that you are just washing out long-term capital in this market.

**CHAIR:** We can talk about the buyback scheme later. It is a little bit involved, but there are some aspects you need to know. James, over to you. You were at Hervey Bay, weren't you?

**Mr Jimenez-Medina:** Yes. I might introduce myself first because this room is probably wondering what this young fellow is doing here. I work across the board with a lot of park operators, a lot of managers and a lot of home owners all the way from construction to completion. To be honest, Chair, I was preparing a series of pretty hard questions, but I do appreciate the opportunity to participate in this democratic process. I think it is important that you have more of these. You have a very interesting dilemma. As members of parliament you hold tens of thousands of people within your legislative reach. As an advocate for public interest, and having experience in this industry, what I hope to do is to highlight a few very serious conundrums you are going to face.

In our view, the legislation as drafted now compared to Minister de Brenni's legislation some years ago is very different in its moderation, and home owners might have quite a lot to lose. There are serious concerns about access to justice. Having experienced QCAT myself—mostly for clientele and others I have worked with, especially in the legal profession, and perhaps one I might even have soon—it is daunting to think that you might be in this process for years. It is interesting because, the more I read your bill, from a public interest point of view I am starting to question exactly what the intent is. What is this bill trying to achieve?

I understand rent caps and trying to alleviate pressure on home owners might be one of the intentions of this bill, which probably should have been more of a focus point for the government rather than lumping in a lot of different angles which have ramifications that probably damage the home owners' valuation on their property and could tie them up to very long, arduous legal processes and manufacture conflict between park operators and home owners. The reason that is quite significant is because it is also my job, as part of what I do with operators, to try and make these developments extremely attractive from the point of view of building them properly and balancing the need to meet KPIs with where you have an investment. As development managers or project managers, you make decisions that sort of end up balancing out where the valuation of these homes and the park owners are going to sit. They need to be attractive for home owners as well. I developed a series of questions which I will table.

**CHAIR:** Feel free to table those.

**Mr Jimenez-Medina:** In the interests of time, it should be carefully thought through by the government so this does not become some sort of political football between the elderly in the community under probably a fairly clever scheme to create a housing market that is very much targeted to these over-50s. It does take pressure off people like first home buyers or younger families because they are often invested in coastal and regional areas, which is excellent. They are often in areas that have less industry, less mining—you could say less capability of manufacturing income in a different way. There is capital that flows into these communities which is beneficial that otherwise would not see that investment.

Manufacturing conflict between park operators and home owners might be more easily done as a government than you realise, because you have fundamentally two competing interests between them. The home owner always wants to pay a bit less. It is in their interest to not pay more. For the park operator, as a business it is in their interest to earn a profit but also maintain the park and keep it attractive to new buyers. There will always be a few disgruntled individuals among home owners, and you cannot stop that. Much like if you live next to a terrible neighbour—you might decide to move one day—there might be predatory practices with park operators. People can make decisions that are also civil offences or criminal, regardless of what legislation is in place.

One of the main questions I could contribute to this setting—because there has been a lot of discussion—is whether the government would seriously consider making tackling rent during a housing affordability crisis a point on its own as opposed to introducing all of these different schemes. The second would be whether you could amend the forced buyback scheme to cater for people who really need it such as those experiencing death or intensive care et cetera.

**CHAIR:** It is a voluntary opt-in scheme.

**Mr Jimenez-Medina:** Yes. Whether there is also the other option of having an ombudsman who might be more capable and more well equipped to tackle the more complex contextual details that these homeowners get embroiled in when they are disputing site rents or there is some real particular need, because drafting legislation to take into account all these different contexts I can see clearly is a headache for the government, obviously. Giving QCAT more discretion might not be fruitful given that they may take a very long time to make a decision. As an individual and working in this field, I am a bit concerned that a lot of the people we have as homeowners, where they are encouraged to go to QCAT, are going to trap their capital for years in their homes and it is going to create a conundrum of conflict between the two.

**CHAIR:** Thank you for your input. We may or may not have time for questions, but we will go on to Ken now.

**Mr Jones:** I should probably explain who I am. I am Ken Jones. I am the rent and affordability chairman for the homeowners at Halcyon Greens down in Pimpama. It sounds a strange title—Rent and Affordability Group. We tend to be a group that looks at a higher level than the day-to-day operations of the park. The HOC, the homeowners' committee, normally deals with the day-to-day operations. We look at longer term issues such as affordability, park competitiveness and continuous growth in capital investment. We look forward at least 10 years and we look back 10 years. The best indicator of what is likely to happen going forward is past experience. When we looked at the bill as written, it caused a little bit of confusion in our minds around the statement that said rent shall not grow by more than CPI or 3.5 per cent. We dug a little bit deeper into the series and into the explanatory notes that accompanied the bill and we found that there was a discrepancy between what the explanatory notes said and what the words in the bill said.

I provided a submission, which is submission No. 1 on your authorised list, and that is effectively what I want to talk about today. There have been lots of discussions about other things and we have no more to add to that.

When I read the explanatory notes, the introductory text suggests that what they are trying to do with these legislating changes is to cap high rents—rents that are excessive—bring them down. It does not give any indication of what happens with rents that are below the 3.5 per cent. What has happened is that a form of words have got into the bill which suggest those rents below 3.5 per cent, if you take the greater of 3.5 per cent or CPI, somebody who is currently on maybe one per cent will effectively have their rent cranked up so they will pay more rent. That is an unfortunate way the words have panned out. If you look back to the explanatory notes, I will just read the clause in the explanatory notes—

This means that despite any increase basis or terms provided for in a site agreement, a general increase in site rent cannot exceed 3.5 per cent or CPI where CPI is higher than 3.5 per cent.

They are talking about the area higher than 3.5 per cent. What has happened is the last few words 'where CPI is higher than 3.5 per cent' have been substituted with words that said, 'greater than 3.5 per cent.' What that has done is it has brought that level down to below 3.5 per cent and rents can be incremented by up to that ceiling. The intent was to have a higher rent cap, you cannot go above this; you have actually now got a lower rent cap which means it cannot go below that. What I was hoping was that the process that we are in now would try to clarify that situation and formulate a better form of words that protect the people on the better agreements, recognising those better agreements.

At the site I come from, only two years ago we had a takeover from Halcyon to Stockland. Stockland were very happy when they bought the site. They had enough profit margin in there to recognise that those lower site agreements were acceptable, those lower rental increases were acceptable, and they bought the site based on that. We acknowledge that they have profit levels that are probably acceptable to them still after two years. Cranking up those lower levels to a higher rent means a stress for homeowners. It is more cost for homeowners and that is unnecessary.

**CHAIR:** I remember reading your submission. Thank you, Ken. Finally, David?

**Mr Irwin:** Thank you, Mr Chair. I am very new at this. Living Gems is less than three years old. I have been the chairman of the HOC since its inception. I am certainly not here to speak against market reviews so I would like to clearly, as a resident, see my rent capped, but whether or not that happens is beyond me. However, what I would like to comment on is this: I heard a lot of things said this morning about the negativity between homeowners and park owners and I would like to say that in our experience that is not the case. In terms of transparency, we have an embedded electricity network, as the member for Burleigh was talking about, and we are required to pay for our water

usage and water connection. I am supplied with a copy of the Momentum Energy electricity bill every month. The park manager and I divide the total kilowatt hours in the total bill and work out a kilowatt hour charge, and all residents are charged for whatever their meter usage was. I cannot see how that can be any more transparent. We have the same thing with the water rates. I get a copy of the Logan Council bill every quarter and again, in discussion with the park manager, we work out a rate per megalitre, whatever the litres are, and we pay for that.

In terms of negotiation, we meet quarterly with the park owner. We do not get everything we ask for. We therefore tend to ask for more than we expect to get, but the process is very open and it is very fair. If we do negotiate something, we now have an accounting system where we can send the park owner an invoice. If we send the park owner an invoice, the next Wednesday the money is in the bank so we do not have any issues with that.

I heard some mention this morning of bullying from park owners to home owners' committees and residents. We have not experienced that. I agree with the member for Burleigh that the limit of authority for things to get done sometimes can be an issue. I will address that with the park owner. At the quarterly meeting we get access to a folder where you can flip through all the bills to see what the park owner paid. We asked them for a copy of the P&L account but they will not show us that. Surprise, surprise! That is all I wanted to say, really. From our perspective, we do not get an unfair deal from the park owner.

**CHAIR:** Thank you very much, David. Before we finish we have time for brief questions from the panel.

**Mr HART:** Ken, I just had a look at the explanatory notes. I cannot see that anywhere so maybe you could point that out to me after we finish.

**Mr Jones:** Sure.

**Mr HART:** David, it is good to hear that you are a happy camper.

**Mr Irwin:** Relatively happy.

**Mr HART:** I have written down some of the things you said, Angus, and some of the things you said, James. Those are just comments.

**CHAIR:** Thank you very much. That concludes today's hearing. Thank you to everyone who has participated. Thank you to Hansard and to our secretariat, Steph, Vicki and Alana. No questions were taken on notice. A transcript of these proceedings will be available on the committee's webpage in due course. I declare this public hearing closed.

**The subcommittee adjourned at 2.24 pm.**