

Manufactured Homes (Residential Parks) Amendment Bill 2024

Submission No: 40
Submitted by: REIQ
Publication:
Attachments: No attachment
Submitter Comments:

10 April 2024

Committee Secretary
Housing, Big Build and Manufacturing Committee
Parliament House
George Street
Brisbane Qld 4000

By Email: hbbmc@parliament.qld.gov.au

Dear Committee,

RE: MANUFACTURED HOMES (RESIDENTIAL PARKS) AMENDMENT BILL 2024

The Real Estate Institute of Queensland (**REIQ**) welcomes the opportunity to provide feedback on the *Manufactured Homes (Residential Parks) Amendment Bill 2024 (MHRPA Bill)* introduced into the Queensland Parliament by the Minister for Housing, Local Government and Planning and Minister for Public Works on 21 March 2024.

The REIQ's role

The REIQ is the peak body representing real estate professionals across Queensland. As the State's most trusted and influential advocate for real estate business interests and private property investor rights for more than 105 years, the REIQ's enduring purpose is to lead a sustainable industry which makes important contributions to government legislation and policy settings and advocates for balanced regulations for the benefit of all stakeholders in the housing sector.

The REIQ's vision statement, for the real estate profession, extends our support and expertise beyond our membership to the broader real estate profession and community. We believe everyone should be able to make educated, informed decisions about buying, selling or renting property and business in Queensland.

Housing Supply in Queensland

Queensland is currently in the grips of an unprecedented housing crisis. Housing supply and affordability are at critically low levels across the State.

Data shows that current housing market conditions have been materially impacted by a declining supply of affordable housing. As a result, an alarming volume of Queenslanders have become homeless or are facing homelessness.

In 2022 and 2023, Queensland consistently broke its own rental market vacancy rate records and has experienced the tightest rental market in history with below 1.0% vacancy rate across the State in the December quarter of 2023, with some markets currently as low as 0.1%¹.

¹ REIQ Residential Vacancy Report, December 2023

There is an urgent need to increase housing supply, address shortages and improve access to affordable housing in Queensland. Presently, residential parks play a crucial role in providing affordable housing options. Residential parks can help alleviate supply and affordability issues by providing additional and diverse housing options in areas where land availability is limited.

Manufactured homes are generally more cost effective than traditional housing options and offer flexibility making them an attractive choice for low- to middle-income families and pensioners. Residential parks provide a unique sense of community, fostering social connections and offering shared amenities such as swimming pools, clubhouses, and recreational areas.

With proper Government support and regulation, the supply of affordable manufactured homes in residential parks can be encouraged, ensuring that Queenslanders have access to affordable and suitable housing.

We are concerned that the reforms proposed by the Government may constrain the sustainability and financial viability of residential parks and discourage private investment, critically impacting the already strained supply of affordable housing in Queensland.

Limiting Site Rent Increases

Site rent in residential parks may be increased due to various factors including an increase in operational costs for maintenance, repairs, utility expenses, administrative costs, and property management, investment in infrastructure improvements such as upgrading communal areas, installing new facilities, or implementing technological advancements, inflation of goods, services, and labor, and appreciation of land value.

Presently, site rent increases are highly regulated under the *Manufactured Homes (Residential Parks) Act 2003 (MHRP Act)* to ensure they are fair, reasonable and predictable. If a homeowner finds an increase in site rent to be excessive, they have the benefit of statutory safeguards which enables them to raise a dispute and seek orders from QCAT to set aside the site rent increase².

Regulation should not be too prescriptive and should allow the parties flexibility to adopt a mechanism that is balanced and ensures the park owner is able to increase site rent sufficiently to cover the expenses of the residential park. Industry stakeholders should be consulted as to the appropriate method of calculation which is widely adopted in the sector.

Market Reviews

A market review of site rent can benefit both a park owner and homeowner. A market review ensures a park owner receives an appropriate valuation for the site, and conversely, that the homeowner pays a site rent that aligns with the current market value, preventing overpayment.

Depending on the outcome of the market review, the site rent may be increased or decreased if the market value has changed.

We do not support the prohibition of market rent reviews in site agreements. This amendment will place an unjust burden on the park owner when the costs they incur increase over time.

This will impact the sustainability and financial viability of residential parks and ultimately, discourage investment in residential parks in Queensland. The alternative of allowing existing agreements to adjust site rent using a secondary basis or CPI where none exists, is inadequate and will not achieve the policy objectives.

² *Manufactured Homes (Residential Parks) Act 2003*, s70

Capping site rent increases to the higher of CPI or 3.5%

We do not support this reform as it ignores basic economic factors which underpin the setting of site rents and the role of market forces.

Capping the amount site rent can be increased disregards the rise in expenses experienced by park owners which are not aligned to CPI. Additionally, CPI is dependent on economic factors and can fluctuate significantly over the course of 5 years (as we have seen in recent times). Legislative reform should not be based on one set of circumstances and needs to achieve a fair and balanced result in any economy.

Under these changes, site owners would enjoy the benefit of caps, whilst park owners would be expected to continue to meet free-market driven cost increases. Consequently, the level of income received from site rent may not cover the costs associated with park ownership. This would, in our view, adversely impact the sustainability and appeal of ownership of residential parks.

Recommendation

As noted in the explanatory notes, a great number of site owners and occupants are pensioners on low, fixed incomes. It is also noted that a key policy objective of the reforms is to curtail large unpredictable and unsustainable rent increases that can arise from market reviews which have the effect of increasing rent at a faster rate than the age pension.

In our view, the Government can do more to address rental affordability for pensioners by increasing the age pension and at a State level, providing greater rent relief subsidies for pensioners. Trying to cap increases in costs that are largely driven by market forces will do little to solve rental affordability for pensioners residing in residential parks.

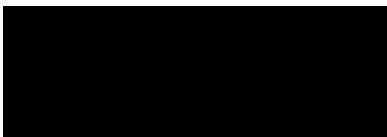
Conclusion

Constraining the financial viability of residential parks by capping rent increases and market reviews, do not offer a balanced solution to address concerns related to site rent increases. The sustainability and viability of the residential parks must not be ignored.

The Government must strike a fair and reasonable balance between the interests of both park owners and site owners, ensuring that site rent increases are reasonable and predictable, while providing stability and affordability for site owners.

If you would like to discuss the REIQ's submission on this issue, please do not hesitate to contact Ms Katrina Beavon, General Counsel of the REIQ on [REDACTED] or 1300 697 347.

Yours Sincerely



Antonia Mercorella
Chief Executive Officer