

Manufactured Homes (Residential Parks) Amendment Bill 2024

Submission No: 43
Submitted by: Property Council of Australia
Publication:
Attachments: No attachment
Submitter Comments:

10 April 2024

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

MANUFACTURED HOMES (RESIDENTIAL PARKS) AMENDMENT BILL 2024

The Property Council of Australia welcomes the opportunity to provide feedback on the proposed *Manufactured Homes (Residential Parks) Amendment Bill 2024*.

The Property Council is the leading advocate for Australia's property industry, with over 400 member companies in Queensland across the property sector including residential, retirement living, purpose-built student accommodation, build-to-rent, Community Housing Providers and more. Our members invest in, design, build and manage places that matter to Australians, including manufactured home parks throughout Queensland, ensuring our ageing populations and those on fixed incomes have access to safe and affordable housing.

Residential parks are a unique form of housing that provide an affordable housing product between social housing and freehold property ownership. Home to almost 40,000 Queenslanders, residential parks are an affordable opportunity for those nearing retirement, with some residents divesting larger freehold properties to move to these communities. In this regard residential parks play an important role in housing older Queenslanders 'rightsizing', while also allowing larger family homes to be released to market.

As outlined in our response to the Consultation Regulatory Impact Statement (C-RIS) last year, the Property Council and our members are greatly concerned the proposed amendments will have significant unintended consequences for the manufactured homes sector and residents. The extent of these potential consequences is difficult to determine given the lack of information regarding the proposed amendments, including the absence of regulations to guide their implementation and application. We have outlined our concerns below, along with a suite of recommendations we would welcome the opportunity to work with the government to implement.

Lack of information to make an informed decision:

Whilst our members agree with the intent of the proposed amendments, there are significant concerns the amendments as drafted will result in disastrous impacts for Queensland's manufactured homes sector and consequently for the residents who rely on it for safe and affordable housing.

The Property Council has highlighted the potential risks since these amendments were first proposed and it is disappointing to see that industry's concerns and feedback to mitigate the consequences of these reforms have been disregarded. These potential impacts are further exacerbated by the absence of regulations to guide the new requirements, making it impossible to determine the full impact of the amendments on industry and residents.

Further, it is noted the recommended reforms are informed by a 2022 survey, which captured responses from just 2,201 residents, representing approximately five per cent of the 38,753 people currently living in residential parks. To recommend sweeping reforms based on limited feedback is premature and sends the wrong message to the investors needed to provide more manufactured homes for Queenslanders.

Without adequate feedback and the necessary regulations, it is impossible to determine the potential impacts of these amendments, as such the Property Council urges the state government to not proceed with the amendments until the regulations have been released and consulted on.

The risk of rent caps.

There should be no mistake that the proposed amendments will result in the introduction of rent caps across Queensland's important manufactured homes sector, which is in direct conflict with the state government's commitment last year to not introduce rent freezes or caps in the private rental market. This commitment was given following community and investor concerns about the significant risk such a move would pose for renters, including the likelihood of investors leaving the market.

Examples of rent capping in other countries have proven to have long term negative impacts on the delivery of housing. These risks were noted by the state government committee reviewing a private member's Bill proposing a rent freeze in 2022, when it noted rent controls generally were "not effective in improving housing affordability for renters and can lead to distortions in the rental market".

In light of the evidence showing the significant risks posed by rent caps, the state government's decision last year to rule out broad rent caps was welcomed by industry, including the mum and dad investors who are the backbone of the Queensland rental market. To renege on last year's decision sends a clear message to investors, that rent caps could in fact be extended across the Queensland property market and does little to instill confidence for existing or new investment to Queensland; the very investment critical to solving our ever-worsening housing crisis.

The proposed amendments will devalue residents' homes:

Manufactured home parks provide a location for residents to locate their homes, which represent a significant investment for homeowners. Park operators protect resident investment by providing a safe, well-maintained, and attractive community, resulting in the value of homes increasing, an increase that benefits the homeowner.

Park operators have reported that maintenance costs can equate to up to 20 per cent of operating costs, with the costs of materials, water and construction increasing significantly in recent years. The proposed amendments will reduce the financial ability for park operators to invest in the maintenance and upkeep of parks, ultimately reducing the attractiveness of the community. Consequently, this will reduce the overall value of the manufactured home park and the homes within it, in turn reducing the value of the homeowner's investment.

The need for increased investment in the manufactured homes sector

As outlined in the C-RIS, manufactured home parks play an important role in the Queensland housing market, specifically in supporting Queensland's ageing population. The need for manufactured homes to support Queensland's ageing population is set to increase with the Australian Bureau of Statistics reporting the proportion of Queenslanders aged 65 years and over will increase from 17% in 2022 to between 25% and 27% by 2071.

Further, the 2022 PWC/Property Council Retirement Census shows national retirement village occupancy continues to remain high at almost 90 per cent, reflecting the increasing need for more retirement housing nationally. Rather than working to attract the private investment needed to supply the necessary housing, these proposed amendments will undoubtedly deter investors at a time when Queenslanders need them more than ever.

According to the C-RIS there are currently between 9,500 and 10,300 new home sites across 55 parks planned in Queensland, with about 80 per cent of these new parks to be owned by large operators. These operators rely on large institutional investors to finance these projects and in response to these amendments Property Council members have indicated that these amendments will be cause for a full review of any potential investment decisions.

Further, some members have indicated that the amendments may force them to transfer mixed use parks to tourism-only due to the associated risks. An outcome that not only fails to deliver on the intent of this policy but will result in further Queenslanders seeking access to housing.

Potential risks V 'negligible benefits'

Queensland is a market-leader in the manufactured homes sector and as explained above these amendments have the potential to significantly impact the viability of the industry.

At the same time - according to the government's own analysis - these amendments provide very little benefit to residents. As an example, in assessing the potential benefits of prohibiting market rent reviews (option 6), the CRIS (page 157) and DIAS (8.2.4) state - "The long-run savings to the average homeowner from reduced site rent is estimated at \$104 per site over 10 years;" suggesting capping rents in manufactured home parks will only save residents about \$10 per year.

The limited benefits for homeowners of the proposed amendments extends to option 7 - limiting site rent increases to CPI or a fixed percentage (for example 3.5 per cent). According to page 112 of the C-RIS, capping rents in manufactured home parks will result in "negligible benefits" for approximately 64 per cent of residents. Further, this option is expected to present "Medium level of risk from the presence of a price cap, which may lead to an inefficient allocation of resources in the long run, (which) may result in the lower end of the market raising to meet the level of the cap (CRIS p112)."

Proposing amendments with the potential to negatively impact the long-term viability of manufactured home parks in exchange for a potential saving of just \$10 per year for most residents is incomprehensible and extremely concerning.

The Property Council and our members are concerned the impending state government elections will result in the politicisation of these amendments and risk eroding the important relationship between park operators and homeowners. To avoid this negative outcome, we believe the amendments should be halted until after this year's elections.

Recommendations:

As stated above, while the Property Council and our members agree with the overall intent of these amendments, we are very concerned a lack of information and consideration of unintended consequences will result in disastrous impacts for the industry and residents.

In light of these concerns, we stand ready to work with the state government to implement the following proposals to ensure the Queensland manufactured homes sector continues to thrive:

1. Immediately pause the proposed amendments and commit to not progressing them until the regulations have been completed and consulted on to ensure any unintended consequences have been considered and mitigated.

2. Further commit to not adopting the proposed amendments until after October's election; removing the risk of the amendments being politicised.
3. Commit to any amendments taking effect from the 2025-26 financial year, providing sufficient time for industry to make the necessary changes.
4. Work with industry to trial the proposed amendments between now and when they are adopted to ensure any unintended consequences have been considered and mitigated.

As always if you wish to discuss any matters, please feel free to reach out to me on [REDACTED]
or [REDACTED]

Yours sincerely,

[REDACTED]
Jess Caire

Queensland Executive Director