



Manufactured Home Estates
An affordable retirement option?
Answering the challenges of accommodating the
ageing population in Queensland



EXECUTIVE SUMMARY

Manufactured Home Estates (MHEs) offer a more affordable alternative with remarkable investment benefits in a highly demand driven market. However, there is a lack of available industry information, which has led to this research project. The primary aim of this research is to determine the affordability of MHEs, the possible benefits, and potential problems of MHEs for both residents, developers and operators. The secondary aim is to establish avenues for future research to encourage more exposure on this alternative accommodation solution.

The average listing price of MHEs in the South East Queensland (SEQ) region was \$338,178, which is lower than the median house prices in Queensland metro areas such as Brisbane, Gold Coast and Sunshine Coast. This suggests that MHEs can address some affordability issues and accommodate certain demographics of the retired population. The lower to middle wealth retirees can achieve this by selling their home and purchasing a MHE, and have sufficient cash left over to afford a comfortable lifestyle. However, there are major challenges in the MHE industry relating to:

- The availability of suitable and affordable land,
- Determining what to provide and for who,
- Keeping up with demand, and
- Providing a higher level of care.

Based on MHE property listings in South East Queensland (Table 1), a buyer of an older MHE could pay as little as \$110,000, however newer MHEs are being sold for as much as \$650,000 or up to \$1,050,000. The change in pricing can be explained through the introduction of recreation facilities around the MHE, as well as more luxurious fit-out within the MHE itself. Furthermore there is a higher tendency from the 50+ aged group to downsize from their current homes to a more lifestyle orientated MHE, as opposed to choosing a traditional aged care home with limited options.

This suggests that MHEs are moving away from their traditional purpose as an affordable option for retirees and are now becoming a highly sought-after product for wealthier buyers and part-time workers. Premium MHEs are typically located in well serviced areas, have pleasant scenery and modern facilities. That said, the average price of MHEs remain relatively low when compared to houses within their locality, indicating that there are still affordable MHE options available in South East Queensland.

Table 1. Manufactured Home Estate Average Listing Price

Local Government Area (LGA)	Median House Price	MHE Average Listing Price Range	Low and High (MHE Price Range) % Difference	
Brisbane	\$680,000	\$222,000 - \$360,000	67%	47%
Sunshine Coast	\$620,000	\$460,000 - \$755,000	26%	-22%
Gold Coast	\$650,000	\$281,000 - \$755,000	57%	-16%
Ipswich	\$350,000	\$222,000 – \$281,000	37%	20%
Logan	\$430,000	\$360,000 - \$222,000	16%	48%

MHE's provide retirees with access to retirement options that does not involve 'breaking bank' or sacrificing their wealth. Architects, designers, developers and sales agents will have a new line of products to create and sell. The construction of new and/or improved MHE's will increase labour demand for builders. Investors and MHE site/park owners will benefit from a high yielding market that has solid and consistent cash flows. MHE's could soften pressures on governments as needs for funding the ageing populations' needs relaxes, allowing them to redirect their budget into other sectors such as education, infrastructure development, and others.

The progression of this industry can be accomplished by wielding all the valuable stakeholders with a deeper understanding of the benefits of MHEs as a retirement housing option. This will improve the decision-making practices for buyers and investors; and help to maintain sufficient, appropriate and adequate housing solutions for the ageing and retired.

MANUFACTURED HOME ESTATE INDUSTRY

CURRENT SUPPLY



750 mixed caravan and
MHE parks in 2018



170 pure MHEs in
2018

KEY DRIVERS



Ageing
population



Rent subsidies
of up to 50%



Housing
affordability issues



Low volatility and
consistent cash flows

DEMAND AND TRENDS



Penetration rate
is at 5.7%*



Penetration rate will
increase at 1.1% per
annum over the
next 15 years*



Lower wealth profiles
still demand affordable
options



Higher level of care
in retirement
facilities



29,500 new MHE
dwellings will be
required by 2026*



Demand for
premium MHE stock



Co-location of
retirement and aged
care facilities

MARKET RISKS



Government changes to eligibility
criteria for rent assistance



Cooling of house prices affecting the
comparable affordability of MHEs



Changes to interest rates ultimately
disrupting borrowing power

DEVELOPMENT METHODS



Caravan parks can be converted into MHEs or
developed on greenfield sites



Ideal development sites would be suitably
zoned and located near urban or coastal areas



Appropriate site size is 6-8 hectares with a
density of 25 dwellings per hectare



BACKGROUND

The pressure of Australia's ageing population and growing desire for affordability calls for an investigation into the diversity of housing options. According to the Australian Bureau of Statistics (ABS), during 2016 there were 3.7 million Australians aged over 65 years, representing 15% of the population. This is a significant increase from the 1976 ABS figure of 1.3 million people aged over 65 years, representing only 9% of the population.

An increase in the ageing population will result in pressure towards:

1. Federal and State Governments,
2. Tax increases,
3. Greater demand for different levels of care, and
4. Strains on the supply of suitable land for facilities.

It is therefore important to reduce costs and relieve pressures by providing more diverse, affordable and liveable housing options for our ageing population.

CONTEXT

Aged care and retirement villages are the two more common accommodation choices, whilst MHEs are less recognised. MHEs were originally just an affordable housing option, but have become an option for other customers of the housing market, such as retirees. A resident will own a home, but not the land, whilst the land owner or operator will lease the land to the resident for a regular payment (DHPW, 2014). The financial and legal structure is much simpler when compared to mainstream options, and cash flows are more frequent for owners.

OBJECTIVE

The primary aim of this project is to determine the suitability of Manufactured Housing Parks for both retirees and developers. The secondary aim is to establish avenues for future research to encourage more targeted and informative research programs to increase the sustainability of this accommodation option. The objectives are to:

1. Discuss perceptions of retirement accommodation and MHEs,
2. Determine aspects of current MHEs and how they measure up to other options,
3. Determine the wealth dynamic of MHEs consumers,
4. Discover short and long term industry changes, trend and influences,
5. Identify if consumers can benefit financially by choosing MHEs, and
6. Provide key learnings for consumers and investors/service providers.

Source: BatchGeo, Department of Housing and Public Works. © PRDnationwide 2019.

Retirement Facts:

Population growth

The Australian population is expected to grow at 1.1% per annum, expecting to reach over 42 million people.

Population over 65+

The proportion of people aged over 65+ is expected to increase from 15% to 23% by 2066.

Penetration rate at 5.7%.

The penetration rate indicates the proportion of the 65+ age bracket that lives in formal retirement.

WHAT IS A MHE?

A MHE is a house like structure that is traditionally designed to be moved, not permanently attached to land. However, in recent years there has been a move towards more luxurious and permanent structures. MHEs are found in purpose-built parks, made up of manufactured homes exclusively, and are often targeted to the over-50s age group. These homes are managed/owned by a park owner. A resident can purchase the house structure but not the land.





METHODOLOGY

There is currently minimal market information available to comprehensively observe the MHE industry. However, there are some starting points. Qualitative research methods have been performed through interviews with industry professionals who have a comprehensive understanding of the research topic. A mixed approach of 'context analysis' has been conducted to establish the status of the MHE industry. The combination of context analysis and interviews will also assist in determining what type of MHE products are in place and what facilities are offered to retirees.

AVAILABILITY AND AFFORDABILITY

In June 2018, data was obtained from the Department of Housing and Public Works, Queensland Government: 'List of locations manufactured home parks, residential parks, mixed use parks, over 50's living'.

The list provided a total of 198 park locations, of which 74 were identified as purpose built MHEs. Investigations were conducted to retrieve all available 'For Sale' and 'Sold' listings from relevant websites. From this, it was found:

1. A total of 478 listings were identified in 58 locations.
2. All listings were grouped into 32 different postcode areas (most of which are located in SEQ)
3. The average listing price range were then identified and mapped for Brisbane, Sunshine Coast, Gold Coast and Toowoomba.
4. Average listing prices were compared to the median house price of the respective locality, as a buyer typically requires to sell their home before buying an MHE.

CONTEXT ANALYSIS

This study applied a 'context analysis' method, which compared four aspects between two Retirement Villages and two MHEs:

1. Price
2. Location
3. Amenities
4. Design

Other comparisons have been inspired by the environmental domain of the WHO 'Quality of Life-BREF' (WHOQOL-BREF). This has been adopted to determine the main differences between Retirement Villages and MHEs.

Further metrics were used to narrow down on the affordability of MHEs, the capacity of a consumer to pay based on wealth and costs, and the predicted demand of the market. The findings of the context analysis were then compared with the face-to-face interviews. There were some correlations between the two methods, which has achieved outcomes aligned with the aims and objectives of this research.

INDUSTRY KNOWLEDGE

Qualitative Research Methods were used in this project, in the form of face-to-face interviews with a number of industry professionals. This method has been chosen to determine what type of MHEs are in place, how affective they are, how they measure up to other retirement options, and if they will be suitable to house the growing ageing population.

All interview participants in this study had some involvement in MHEs, aged care, or retirement homes. A total of nine open ended questions were asked to gain an understanding of professional opinions on the suitability of MHEs for the aged and retired.

A total of four face-to-face interviews were conducted with the following personnel:

1. Business Performance Analyst
2. Property Consultant
3. Assistant Development Manager
4. Town Planner/Project Manager

RESULTS: AFFORDABILITY AND AVAILABILITY

MHE LISTINGS COLLECTIVE

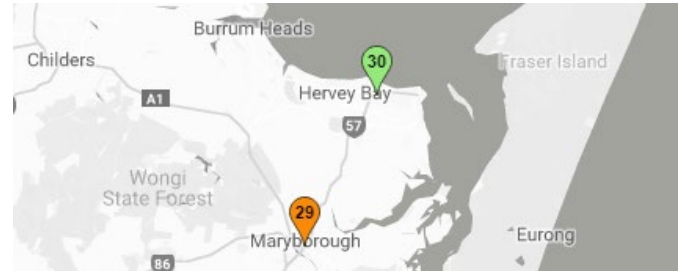
MHE Listing Price	
Highest	\$1,050,000
Lowest	\$110,000
Average	\$338,178
Median	\$315,000

MHE LISTINGS POSTCODE BREAKDOWN

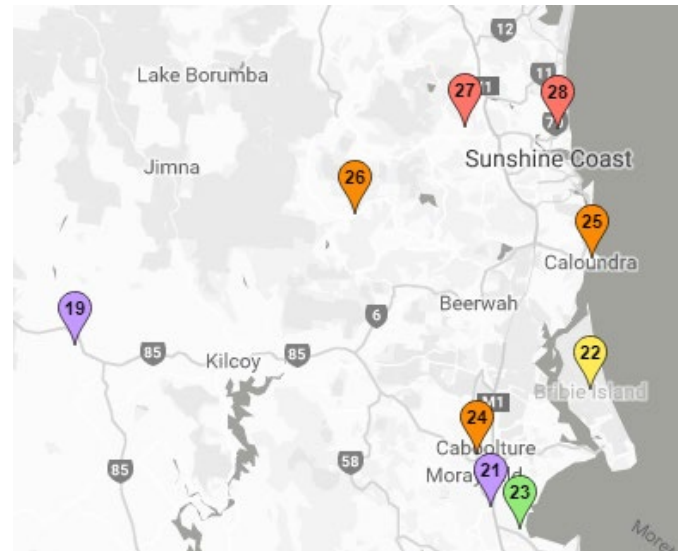
Map reference	Postcode	Average Listing Price	Listings
1	4018	\$223,750	8
2	4124	\$264,200	5
3	4125	\$261,286	28
4	4133	\$292,917	36
5	4152	\$336,429	14
6	4173	\$354,200	5
7	4205	\$276,739	23
8	4207	\$360,030	67
9	4208	\$281,389	18
10	4209	\$755,000	2
11	4211	\$427,000	11
12	4212	\$753,111	9
13	4214	\$565,583	12
14	4216	\$290,091	22
15	4220	\$274,333	6
16	4285	\$238,000	4
17	4301	\$246,000	8
18	4305	\$279,455	11
18	4305	\$279,455	11
19	4306	\$185,000	1
20	4350	\$222,143	14
21	4505	\$209,500	28
22	4507	\$336,000	10
23	4508	\$285,167	6
24	4510	\$445,647	17
25	4551	\$441,167	6
26	4552	\$380,667	12
27	4560	\$622,231	13
28	4564	\$545,333	6
29	4650	\$460,833	6
30	4655	\$301,517	58

MAPPING MHE LOCATIONS

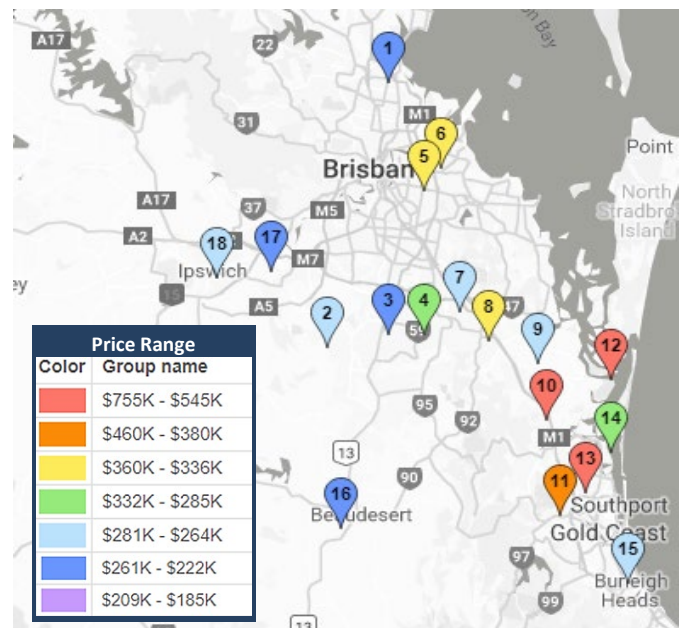
FRASER COAST



SUNSHINE COAST



BRISBANE / GOLD COAST



RESULTS: CONTEXT ANALYSIS

TABLE 1 PRODUCT PRICE COMPARISON

LGA	Median House Price*	Average MHEs Listing Price Range
Brisbane	\$680,000	\$222,000 – \$360,000
Sunshine Coast	\$620,000	\$460,000 – \$755,000
Gold Coast	\$650,000	\$281,000 – \$755,000
Ipswich	\$350,000	\$222,000 – \$281,000
Logan	\$430,000	\$222,000 – \$360,000

The average listing price range is the lowest and highest average prices for MHEs recorded within the Local Government Area (LGA). Table 1 compares the average pricing of MHEs in 2018 relative to median house price of that LGA during 2018.

The average listing price range is generally lower than the median house price for the area. This suggests that retirees can sell their home and have sufficient cash to purchase an MHE within their local area, whilst also having leftover funds for a more comfortable retirement lifestyle.

TABLE 2 AUSTRALIA INCOME AND NET WEALTH

Quintile	Annual household Income		Household Net Wealth	
	Average	% of all income	Average	% of all
Highest	\$261,872	48%	\$2,906,400	62%
4 th	\$129,428	N/A	\$949,800	N/A
3 rd	\$84,032	N/A	\$528,400	N/A
2 nd	\$49,920	N/A	\$235,100	N/A
Lowest	\$23,712	4%	\$36,500	1%

In 2018, the average household net wealth of Australians was \$929,400 (McCrindle, 2018). The average net wealth of households in the highest quintile was more than three times this figure, at \$2,906,400 (McCrindle, 2018).

When comparing average household net wealth with the average listing price of MHEs (Table 1), it can be determined that MHE prices are suited to households in the 2nd, 3rd, and 4th Quintiles. This suggests that MHEs are an affordable option that have accessible to a broad range of wealth profiles.

TABLE 3 RETIREMENT COSTS

A comfortable retirement is achievable for the wealthier members of the population, which is defined as those who are able to spend on more than just the basics. A comfortable retiree would be able to access comforts such as: private health insurance, quality household goods, personal items, a reasonable car, and opportunities for leisure and travel. The lower wealth profiles would be able to afford a modest lifestyle, which would include basic living requirements and minimal or no capacity for luxury items. Retirees who choose MHEs can retain more of their wealth and achieve a greater disposable income. This means that MHE owners can retire comfortably and can afford more than the basics.

	Couples		Singles	
	Comfortable	Modest	Comfortable	Modest
Superannuation Required	\$640,000	\$70,000	\$545,000	\$70,000
Annual expenses for retirees 65+	\$60,604	\$39,442	\$42,953	\$27,425
Annual expenses for retirees 85+	\$56,548	\$37,004	\$40,798	\$25,927

RESULTS: CONTEXT ANALYSIS

COMPARING RETIREMENT VILLAGES AND MANUFACTURED HOME ESTATES

	Retirement Village		Manufacture Home Estates	
	Older	Newer	Older	Newer
Village / park name	Aveo Bridgeman Downs	Aveo The Domain Country Club Ashmore	Greenbank Gardens Park Ridge 4125	Halcyon Greens Pimpama 4209
Price range of Dwelling	\$220K -\$400K + DMF + other fees	\$350K-\$425K + DMF + other fees	\$190K-\$350K + site rent	\$500K-\$1.1M + site rent
Accommodation type	1-2 bedrooms dining and kitchen areas	1-3 bedrooms dining and kitchen areas	1-2 bedrooms dining and kitchen areas	2-3 bedrooms dining and kitchen areas
Nearby amenities	<ul style="list-style-type: none"> • 10 minutes to shopping centres and cinemas • Nearby train station • Onsite medical centre 	<ul style="list-style-type: none"> • 10 minutes to Gold Coast shopping malls • Nearby beaches • Onsite medical centre 	<ul style="list-style-type: none"> • 10-15 minutes to department stores, shops and medical facilities 	<ul style="list-style-type: none"> • 5 minute drive to department stores, shops and medical facilities • Nearby beaches
Description of design	<ul style="list-style-type: none"> • Single story • Open plan lounge • Carpet • Single garage • Small garden 	<ul style="list-style-type: none"> • Single story • Open plan lounge and kitchen • Carpet • Single garage • Small garden 	<ul style="list-style-type: none"> • Single story • Open plan lounge • Timber flooring • Single carport • Small garden 	<ul style="list-style-type: none"> • Two stories • Personal garden • Double garage • Storage shed • Large garden
Opportunities for recreation and leisure	<ul style="list-style-type: none"> • Community centre • Spa and pool • BBQ area • Library • Indoor recreation area • Hair and beauty salon • Swimming pool 	<ul style="list-style-type: none"> • Swimming pool • Bowling green • Tennis court • Croquet lawn • Restaurant • Billiard/snooker table • Library • Hair and beauty salon 	<ul style="list-style-type: none"> • Pets allowed • Solar heated swimming pool • Club house • Social club • Library • Theatre 	<ul style="list-style-type: none"> • Community halls • Communal or private gardens • Swimming pools • Bowling greens • Shared kitchen • Barbecue areas • Theatre rooms • Libraries • Theatre • Boat ramp
Physical safety and security	<ul style="list-style-type: none"> • 24/7 emergency call • licence to occupy 	24/7 emergency call and monitoring	<ul style="list-style-type: none"> • Parking for private vehicles and boats • Monitoring of residents 	<ul style="list-style-type: none"> • Private vehicle parking • Secure boat and motorhome parking
Transport	Community transport	Village bus	<ul style="list-style-type: none"> • Privately owned cars • Village bus 	<ul style="list-style-type: none"> • Private vehicles • Cars and golf cars • Village bus

RESULTS: INDUSTRY KNOWLEDGE

Participant 1

Business Performance Analyst employed by a leading retirement and aged care provider

Participant 2

Experienced property consultant and currently a General Manager at one of Australia's leading property advisory consultancy

Participant 3

Assistant Development Manager for caravan parks and MHEs in Queensland, New South Wales and Victoria.

Participant 4

Town Planner and Project Manager at a leading provider of Manufactured Home Estates

RESIDENT PROFILE

All participants recognised that typical MHE residents would be middle income earners or grey nomads. MHEs are usually located near the beach and in tourist driven places where there is plenty of local shops and community space. **All participants** identified that the average resident is generally almost retired, relatively young and just wanting to downsize. They are suited for people who enjoy the aspect of communities and independence. **Participant 3** revealed; *"I'm designing and finding things that these guys want and need. We value their input."*

It was revealed that grey nomads are a significant target market and accommodating them is a major selling point. **Participant 3** mentioned: *"A couple would sell their house, downsize to one of our homes, live in our communities, buy a caravan to tour around Australia, and always have a place to come back to."* **Participant 4** shared this point of view and mentioned that some residents like to form four-wheel-drive or motorhome adventure groups.

KEY CHALLENGES

All participants identified that the major challenges for providing accommodation to the elderly involve:

- finding affordable accommodation;
- the availability of suitable and affordable land for development;
- determining what to provide and for whom;
- keeping up with consumer demand; and
- An appealing financial model.

Meanwhile, the key challenges for seniors accessing accommodation involve:

- the lack of affordable options,
- locational issues and
- the complexity of options.

It was determined from the interviews that there is a high proportion of the ageing demographic who do not have a lot of personal funds to secure a high quality of life going forward in their years of retirement.

It has been recognised in literature that the current financial model is a major turn off for the prospective consumers of retirement living. This opinion was shared by **all participants** who also stated that while the model is suited to current retirees, the model will not be suitable for future retirees. **All participants** shared the opinion that the 'big baby boomer market' will probably not be major consumers of the MHE accommodation solution for later years of life.

Currently, only 4-6% percent of the 65 and over cohort are living in formal retirement living. While the Australian penetration rate sits at circa 5.7%, there are some areas of Sydney, and some suburbs in other parts of the country that have penetration rates ranging from 11% to 16%. The penetration rates of specific areas are likely to increase hand in hand with the increase of personal wealth.

INDUSTRY TRENDS AND ANTICIPATED GROWTH

The results of the interview determined that there are not many barriers preventing the growth of the MHE industry. However, it was also recognised that there will be challenges in regards to:

- rising costs,
- availability of land,
- behaviours of residents and operators, and
- the possible changes to the industry from government influences.

Participant 2 expressed that there is opportunity for further innovation in the construction techniques of MHEs. **Participant 1** recommended that it would be great to have manufactured housing that can easily transition residents into community care. A major part of the desirability of MHEs is their prices in relation to the escalating property prices in the Australian capital cities. Another major driver for desirability is indicated by the increasing choice to downsize. **Participant 4** stated: *"It's nothing but booming at the moment, especially with baby boomers and people downsizing. It's a very lucrative industry."*



KEY FINDINGS

Newer MHE products are being sold at a much higher price when compared to older villages. Premium MHEs are typically:

- a) located in well serviced areas,
- b) have pleasant scenery, and
- c) have more modern facilities.

MHEs are also proving to be a highly lucrative industry for investment, due to:

- a) increasing quality and price value of the product,
- b) constant cash flows from site rent, and
- c) growing consumer demand.

When comparing Retirement Villages and MHEs, there are no major physical differences. However, it still stands that the financial structure of MHEs is more beneficial for residents, e.g. residents are eligible for allowances from the government for site rent, which is then used by park owners to re-invest on the parks. Overall, MHEs are more financially agreeable as they retain their value and do not incur a Deferred Management Fee. Retirement villages and MHEs both have similar facilities and level of grounds keeping. However, MHEs do not have the additional care services that would be typically seen in retirement villages. This is challenging for those who might go into retirement living and need extra medical/non-medical care. As such, MHEs would benefit highly from being co-located with aged care facilities.

It has been determined that MHEs can address affordability issues and accommodate certain demographics of the ageing population. Although, some MHEs are moving away from their traditional purpose as an affordable option for retirees and are now becoming a highly sought after product for wealthier buyers and part-time workers. This is a lucrative industry for investors, which may cease to address affordability in the future. As such, this industry requires suitable regulation and planning to ensure that it grows sustainably.

IMPLICATIONS OF HIGHER DEMAND OF MHEs

MHEs provide retirees with access to retirement options that don't involve 'breaking bank' or sacrificing their wealth. If there were more demand for MHEs, architects, designers, developers and sales agents would have a new line of products to create and sell. The construction of new and/or improved MHE's would increase labour demand for builders. Investors and MHE site/park owners would benefit from a high yielding market that has solid and consistent cash flows. MHEs could soften pressures on governments as their need for funding the ageing populations' needs relaxes, allowing them to redirect their budget into other sectors such as education, infrastructure development, and others.

The progression of this industry can be accomplished by wielding all the valuable stakeholders with a deeper understanding of the benefits of MHEs as a retirement housing option. This will improve the decision-making practices for buyers and investors, and help to maintain sufficient, appropriate and adequate housing solutions for the ageing and retired.

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