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New Supply

Retirement Living in MHEs

Introduction

Most older Australians prefer to remain in their own homes in later life, for those who prefer specialised housing the two main choices are retirement villages and manufactured home estates[1] (MHEs). The latter has evolved from caravan parks and maintains the same business model where a resident owns a home, and an operator provides the land and infrastructure [1]. Compared to retirement villages, MHEs are a considerably more straightforward model for both residents and operators. A resident purchases a home and pays (weekly/fortnightly site rent to the operator. After developing a new estate, an operator's return is this site rent providing a regular income. MHE living appeals to the diversity of older Australians with a range of entry prices. The residents are only paying for the homes which assists in downsizing [2], therefore operators have lower capital requirements to commence new estates.

Retirement living in MHEs has significantly increased in popularity over the past two decades [3]. Demand by Australia's ageing population has encouraged operators to enter the industry, amalgamating portfolios, converting caravan parks and developing new estates. This is now a sizeable industry with listed operators, Ingenia and Lifestyle Communities have market capitalisations of $2,111million and $1,638 million respectively (March 2024). Private operators include Palm Lake Resorts, Hampshire Villages and GemLife. Notwithstanding significant growth to date, diversified property companies have entered the industry including Stockland and Mirvac [4]. These operators are looking to expand their portfolios by both purchasing established holdings and developing new estates.

This article looks at the future growth of retirement living in MHEs and identifies new supply of estates. This highlights interesting geographical concentrations with existing and new estates in Queensland, New South Wales (NSW) and Victoria.

Background

MHE operators seeking to expand their portfolio have three main strategies, converting caravan parks, purchasing from smaller organisations and developing new estates. Historically converting existing caravan parks was a popular strategy particularly in the 2000s. This is now a less popular as the more suitable caravan parks have already been converted and those that remain are often in problematic locations. In addition, increased consumer protection legislation

[1] Also called Land Lease Communities, Residential Parks, Mobile Home Villages, Relocatable Home Parks and Lifestyle Communities.

in NSW and Queensland makes closing caravan parks with permanent residents time-consuming and expensive for an operator [5].

Larger operators seeking to enter the industry have purchased smaller groups, Stockland purchased a portfolio of 13 estates from Halcyon in 2021 [6]. Mirvac purchased an equity stake in Serenitas with a portfolio of 27 estates in 2023 [7]. Both these portfolios had established MHEs and properties under development.

Compared to converting caravan parks and purchasing established estates, development is more lucrative. Sites for MHEs in periurban locations are preferred and these can be purchased more cheaply than inner urban locations. Net densities of 30 – 35 homes per hectare are attainable on a site, making MHE living medium density. In addition, profit on sale of new homes can be achieved as residents are often required to purchase these through the operator, this profit can be over 50% of revenues. Operators are focusing on development of new estates to achieve these attractive returns. In NSW and Queensland retirement living in MHEs is well-established, estates in these states comprise approximately 75% of the Australian industry. Many operators are now turning their attention to Victoria which traditionally has not comprised a large market.

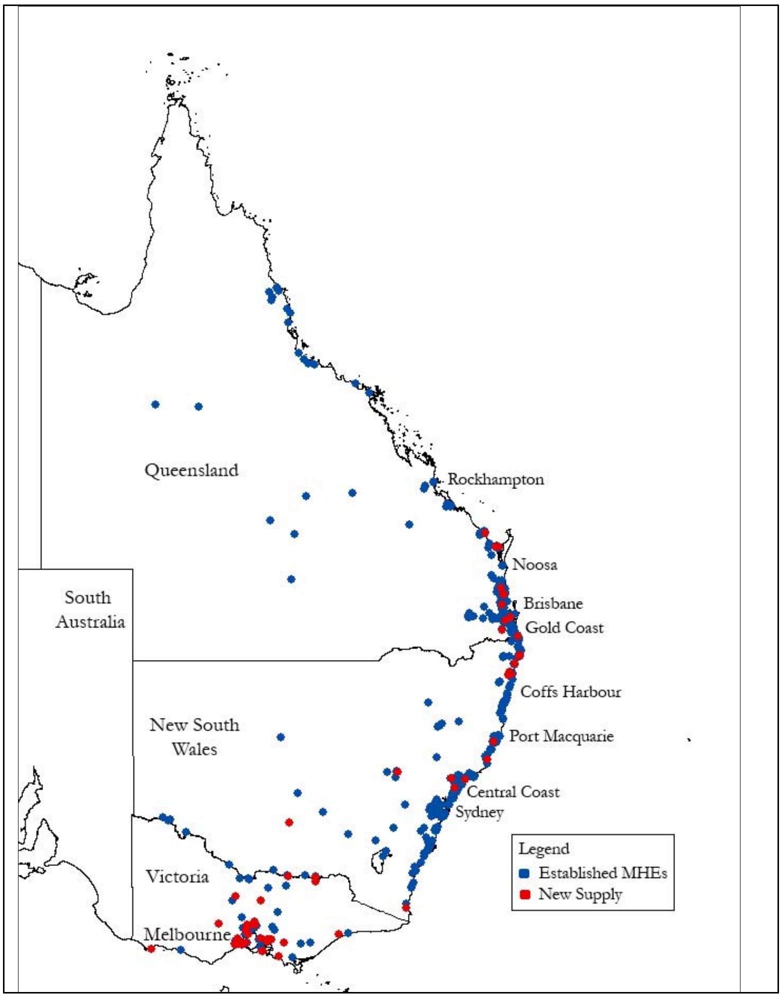
Data and Methods

This study uses publicly available data on MHEs (and caravan parks) from state government sources, company reporting, operators websites and newspaper articles. A database of MHEs with permanent residents in NSW, Queensland, Australian Capital Territory (ACT) and Victoria was compiled, this excludes properties exclusively catering for tourists. This identified over 500 established MHEs and over 60 future MHEs. Information compiled included the status of the property (established, developed), the number of permanent sites (where available) and individual properties were geocoded. These properties were mapped, allowing spatial patterns to be observed.

Results and Discussion

A map of the Australian eastern seaboard with existing MHEs and new supply is contained in Figure 1 (next page) and shows some interesting features. First, existing MHEs (blue dots) are concentrated on the coastal fringe of NSW and Queensland. Second, new supply (red dots) is concentrated in selected locations in Victoria plus in established NSW and Queensland locations. Third, individual MHEs are represented by a dot and there is a wide range in the number of homes/sites per property. Therefore, locations with lots of MHEs are not necessarily those with lots of homes and residents.

Figure 1: Eastern Seaboard of Australia showing existing MHEs and new developments



Existing Supply

It is no surprise that existing MHEs are concentrated in the coastal fringe of NSW and Queensland. There are well-established retiree locations in the south-east of Queensland with Noosa and the Gold Coast and coastal NSW with Coffs Harbour, Port Macquarie, and Central Coast. Amenity retirement migration is the academic term for what Australians refer to as sea change and tree change. This describes when older people after leaving the workforce move to a location which has greater amenity. This amenity can include climate, culture and cost [8].

The coastal fringe of NSW and Queensland, from the Central Coast to Noosa is noted for a (relatively) pleasant climate without extremes of high and low temperatures found in inland and southern regions. This moderate climate means that retirees who are usually on a fixed income do not have to spend a large amounts of their income on heating and cooling their home.

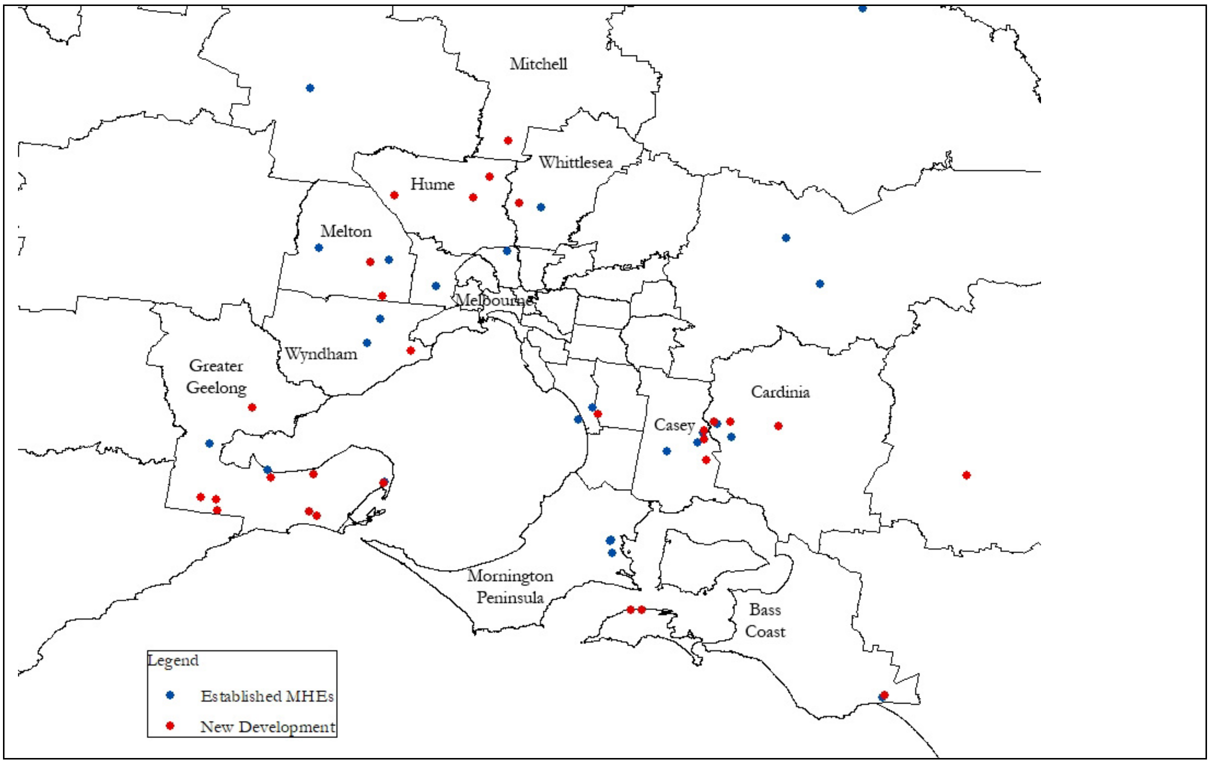
Many of these locations are quintessentially Australian. They may have experienced significant development, however compared to capital cities they still present as country towns. This slower pace of life attracts older Australians, who may have holidayed in similar locations when younger.

Compared to capital cities, house prices are lower in these sea change and tree change locations, notwithstanding significant price growth in recent years. Retirees can financially downsize by moving to such locations. This is a significant appeal of retirement living in MHEs, as the resident is only purchasing the home (not the land) these prices are often below residential prices in the surrounding township [4]. Depending on where they are relocating from, retirees may not be able to afford a home in Port Macquarie, but they can afford a home in an MHE in Port Macquarie. All these factors contribute to the attractiveness of these locations to retirees.

New Supply

While there is new supply in the established retiree regions along the coastal fringe of NSW and Queensland, a larger component is in Victoria in outer urban and south coastal regions. This represents a move into a new location, traditionally Victoria has had a lower population of retirees in MHEs and a lower number of estates. Examining the location of these developments, identifies regions with clumps of MHEs. On the western side of Port Phillip Bay in the Greater Geelong municipality, approximately nine new developments are proposed or underway. There is another clump to the west of Melbourne city on the border of Cardinia and Casey with six developments and to the north across Hume, Melton, Mitchell and Whittlesea there are further seven developments.

Figure 2: Victoria showing existing MHEs and new developments



Greater Geelong is a noted retiree destination with an ageing population profile. In contrast the outer urban locations comprise new housing subdivisions attracting a younger demographic of families with young children. Similar outer urban areas in Sydney and Brisbane also have established MHEs. However, their history is different as most were converted from caravan parks and have been there for years if not decades.

MHE operators are using a development strategy that was popular with retirement village operators in the 1990s. In new outer urban housing subdivisions, an operator would obtain a suitable site and establish a retirement village. The rationale being that retirees like to be closer to their grandchildren, the new subdivision attracts young families, therefore the grandparents follow. Development feasibility for retirement villages is different from MHEs and residential. As they have the cost to construct and are not (legally) able to have pre-sales the cashflow has to be supported from existing resources as finance can be expensive or unavailable [9]. This has made retirement village development more difficult in outer urban locations, resulting in a focus on medium and high-density infill development in inner urban areas.

MHE operators are able to take advantage of the demand for older people to live closer to their children and grandchildren by developing in these outer urban locations. Many of these locations are establishing and services and amenities required by older people may be distant. Documents espousing age friendly communities emphasise that seniors' housing should be within walking distance of services and amenities, the 15-minute neighbourhood [10]. This overlooks the fact that summer maximum temperatures in Melbourne can be in excess of 40°C, asking older people to walk in these temperatures is problematic. Asking them to wait until the evening when it is cooler overlooks that walking in the dark is also problematic.

This identified new supply excludes potential MHEs which are proposed in the portfolio of master planned communities (MPCs) which Stockland purchased from Lendlease in 2023. This portfolio comprised 12 MPC assets and potentially 9 MHEs which could be included in future development.

Size of MHEs

All new MHEs identified were larger, with many over 200 homes and some even larger. Existing supply includes mixed properties comprising tourism short stays and permanent living; the number of sites for permanents may be below 10. There is a wide variety of numbers of permanent sites across all MHEs, consequently locations with many estates may not necessarily have large numbers of residents.

The clumps of these larger MHEs have the potential to increase the number of retirees in some neighbourhoods by hundreds if not thousands. This is less of a challenge in established retiree destinations where services and amenities cater to an older demographic. Increasing numbers of older people in outer urban locations can be a challenge to policymakers who had assumed a younger demographic when regional plans were formulated.

Conclusion

Older people are diverse with diverse housing requirements and MHE living adds to the housing choices available in Australia. The industry has experienced significant growth over the last two decades; new entrants and new estates are a continuation of this growth trajectory. While there are geographic concentrations, there is diversity, particularly in the purchase price of homes. MHE operators can use this price diversity by having different offerings at different price points, broadening the available supply.

The expansion into Victoria demonstrates that operators consider there is sufficient demand from older Victorians for this type of living. Migration to northern regions, particularly the Gold Coast, had been an observed trend of Victorian retirees. Increasing the supply of retirement living in MHEs in Victoria, may discourage this flight.

Dr Lois C Towart has over 30 years' valuation and research experience with a specialisation in Retirement Housing and Residential Aged Care.

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