Residential parks – addressing concerns about site rent increases and sale of homes

Decision Impact Analysis Statement

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Executive Summary

In Queensland, residential parks containing manufactured homes are regulated by the *Manufactured Homes (Residential Parks) Act 2003* (the Act). People living in residential parks (home owners) own their home and rent the land the home is positioned on from the park owner under a site agreement. The Act regulates the rights and responsibilities of the parties in this relationship, seeks to protect consumers from unfair business practices and assist consumers to make informed choices and to support the continued growth and viability of residential parks.

The number of residential parks in Queensland is growing. Many residential parks provide home owners with access to facilities and services as part of their site agreement and promote the community living benefits of the park. Many residential parks cater exclusively to older Queenslanders and retirees by promoting a seniors-focussed lifestyle.

Residential parks have evolved, and some of the assumptions in the Act no longer reflect how parks operate. Today, instead of mobile structures being brought into a park, manufactured homes are sold on-site in purpose-built communities. A significant portion of a home's value is due to its location in a park and access to the services provided.

In recent years, home owners, home owner groups and community groups have pointed to problems with the regulation of site rent increases and the sale of manufactured homes. In response, a commitment to address these issues was included in the *Queensland Housing and Homelessness Action Plan 2021-2025.*

In May 2023, the Department of Communities, Housing and Digital Economy (the department) published a Consultation Regulatory Impact Statement (C-RIS), which identified two core problems experienced by manufactured home owners under the regulatory framework, a number of interlinked "causes" which contribute to those problems, and a set of reform options which could address those options. The C-RIS was based on an issues paper (released in June 2022) which sought feedback from the community on specific issues about the regulation of site rent increases and sale of manufactured homes in residential parks. At the same time, the department released a survey for manufactured home owners to gather data about the experience of home owners living in residential parks. Responses to the issues paper and survey, alongside other publicly available data and economic analysis of the residential park industry, were the primary sources of evidence used in the C-RIS.

Community consultation on the C-RIS took place between 15 May and 26 June 2023 and included seven home owner workshops and one workshop with industry representatives, to gather feedback. Consultation feedback has been used to strengthen the analysis in this Decision Impact Analysis Statement (DIAS) and to outline feedback from stakeholders and responses to issues raised.

Key problems identified in the C-RIS

The C-RIS identified two key problems and several underlying causes of those problems, which informed the development of the reform options.

Key problem 1: Unsustainable and unpredictable site rent increases

Site rent is becoming increasingly unaffordable for many home owners. A significant proportion of respondents to the 2022 survey indicated that living in a residential park had become (or could soon become) unaffordable and that site rent increases have impacted their capacity to pay for other essentials.

Analysis of the survey data suggests that across the market, increases in site rent are likely to outpace increases in the age pension. While the rate at which site rent outpaces pensions is modest for those experiencing the median level of increase in site rent, it is much more pronounced for home owners experiencing increases above the median. Regardless of the rate at which the gap widens, for most home owners the proportion of income they spend on site rent will grow over time, leaving less for other essentials and potentially increasing rates of housing stress. Home owners on low incomes (55% of survey respondents), and single person households are particularly at risk.

Many home owners are surprised by site rent increases that are higher than they expected, and in some cases could not have predicted, notwithstanding having sourced legal and financial advice before signing their site agreement.

Site rent increases based on market rent reviews usually result in higher increases than other increase bases and are particularly unpredictable. In the 2022 survey of home owners, the median market rent review increase experienced by respondents was 7.2%, with some home owners experiencing rent increases between 10%-30%. Such increases can undermine housing security for retirees who have limited capacity to increase their income.

Other site rent increase bases can also result in increases that outpace income growth however these bases tend to be more transparent and predictable.

Home owners argue that site rent increases should be broadly aligned to increases in the cost of operating and maintaining the park, and that it is not fair if site rent increases result in the park owner profit component rising beyond the level set in the initial site agreement. Fairness also requires that prospective home owners fully understand when a site rent basis will result in declining affordability over time before they sign a site agreement.

Given the significant cost of entry to consumers, the substantial barriers to exit, and their relative vulnerability, home owners should expect high levels of housing security for their investment. The regulatory framework can help ensure home owners are protected from unreasonable impacts from business practices related to rent increases.

Key problem 2: Delays in selling a manufactured home

Delays in the sale of manufactured homes, when they occur, are a significant problem for home owners. Selling the home on site is the only practical way for a home owner to leave a residential park as relocating a manufactured home is usually impractical and unaffordable.

Delayed sales can occur due to the complexity of the process outlined in the regulatory framework and misaligned incentives between park owners and sellers. However, the likelihood and extent of delay is affected by market conditions and other factors such as the asking price and condition of the home. In circumstances of high housing demand and limited supply, delays are less of an issue. The evidence suggests that the average time to sell a manufactured home has improved considerably since 2013 when approximately 16% of home owners took at least one year to sell. However, it is important to recognise that the causal factors for delays have not changed and the problem is likely to re-emerge in a slower housing market.

Home owners who can no longer live in their manufactured home, for example because they need to move into aged care, are most impacted by delays in sale as they must continue to pay site rent while paying for aged care or other accommodation. These home owners are also unable to access their capital which may prevent them from paying an aged care Refundable Accommodation Deposit (RAD) or investing in another form of accommodation. This can have impacts on a home owner's finances, health, and quality of life.

Causes

Cause 1: Consumers have difficulty making informed choices when entering a residential park

Site agreements establish how much site rent a home owner will pay, and the ways site rent can increase, and are signed prior to a consumer entering the residential park. The decision to sign an agreement has significant consequences, and so it is critical that consumers have made an informed choice based on clear information and an understanding of how terms will apply to their financial and other circumstances.

Despite precontractual disclosure requirements, sometimes it is only after moving into the park that home owners become aware of the consequences of their decision. The residential park model, the Act and site agreements are complex, and choices are often based on the appeal of the lifestyle offered in a park.

Many home owners buy into residential parks without legal advice, and those that receive legal advice may not receive expert advice that is sufficiently tailored to their circumstances.

These issues can result in home owners living on fixed incomes entering site agreements which become unaffordable.

Cause 2: Complexities and inefficiencies with the assignment process

Selling home owners can assign their site agreement to a buyer of their home. The terms of an existing site agreement can be more beneficial than the terms of new site agreements. However, the assignment process is often not well understood by buyers and sellers, and park owners can prefer new site agreements.

New site agreements create an opportunity for park owners to increase site rent and change the basis on which it can increase. In parks with market rent review clauses in site agreements, the new higher site rent creates upward pressure to align all site rents with the new 'market' level. In the 2022 survey, home owners who entered into new site agreements paid higher site rents than home owners who were assigned an agreement.

However, home owners who entered into new site agreements were more likely to think there was a clear and fair process for selling a manufactured home, compared to survey respondents who were assigned an existing site agreement. This suggests that new agreements have non-financial benefits related to the simpler process and clearer, updated information.

The complexities involved in the sales process can result in disputes, slow down sales, and increase the barriers to exiting the park for home owners.

Cause 3: Fairness and equity issues associated with site rent increases

Market rent reviews can lead to unpredictable and unsustainable rent increases. Home owners cannot reasonably estimate the outcome of market rent reviews when purchasing their home, and market rent reviews are more volatile than other bases for increase. The preparation of the market valuation for a market rent review has subjective elements, and the process itself creates upward pressure on site rent. Park owners appoint and pay for the registered valuer, which can lead to the perception that valuations are not independent.

In the 2022 survey, approximately 76% of respondents said their site agreement allowed market rent reviews and 61% of these home owners were unhappy with how their last market review was conducted. Almost three quarters of those who were unhappy said it was because the market valuation made inappropriate comparisons with other residential parks, while 61% said that site rent had increased by an excessive amount, and 44% felt that the process to dispute a market rent review was too complex and intimidating.

A review of 22 market valuations submitted by home owners found many reached conclusions with evidence that may be contestable, and there were significant differences between home owner procured and park owner procured market valuations. However, even if there are grounds to dispute an increase, the process of disputing a market review outcome is difficult.

Other increase bases can also increase site rent at unsustainable rates, and some bases, such as CPI+X% will consistently outpace fixed sources of income such as the age pension. However, these bases are more transparent, providing prospective home owners an opportunity to factor declining affordability into their purchasing decision.

Cause 4: Imbalances in market power, consumer knowledge and expertise

Home owners are mainly retirees on limited incomes such as the age pension and are likely to be increasingly vulnerable as they age. Conversely, park owners are increasingly operators of multiple parks with significant resources, expertise and sophistication.

The residential park regulatory framework relies on home owners to advocate for themselves, individually or collectively using dispute resolution processes that many find onerous. Home owners can feel that they are not well-equipped to participate in these processes, and their fixed income limits their capacity to pay for legal representation to assist in a dispute with the park owner.

If a home owner thinks that they will be unable to afford to remain in a park, they can feel trapped because they must continue paying site rent until their home is sold or relocated, while park owners are guaranteed income from site rent. This results in an unequal sharing of risk and contributes to an imbalance of power between home owners and park owners.

Cause 5: Limited incentives to sell pre-owned manufactured homes

Park owners receive site rent from home owners who are selling their home, even if the home owner no longer lives in the park, but receive no income from a new manufactured home that the park owner has built, until it is sold. This incentivises park owners to prioritise the sale of new homes over homes owned by consumers, particularly in slower markets where supply outstrips demand. This is a significant contributing factor to delayed sales for existing home owners, with the extent of the impact influenced by market conditions.

When park owners act as selling agent for a home owner, they have a potential conflict of interest between their duty as an agent of the selling home owner and their financial interests as owner of the park. Selling home owners must initiate the assignment of their site agreement but are often guided by the park owner who has expertise and can effectively drive the sales process. Assignment is potentially beneficial to consumers when buying or selling, as favourable site rent terms (such as a low site rent) could increase the sale value of a manufactured home and lower the ongoing cost for a new home owner. However, these consumer advantages are inconsistent with the financial interests of the park owner. New site agreements may be used to increase the starting level of site rent and create upwards pressure on site rents across the park (cause 2) which are normalised through market rent reviews (cause 3).

Cause 6: Manufactured home owners are unable to easily exit the park when conditions change

Residential parks and manufactured homes have evolved. Modern manufactured homes can no longer be practically or affordably relocated from one park to another (or to another place), and a portion of a home's value is due to its position within a residential park and access to the services and facilities provided.

As a result, the only practical way for a home owner to leave the residential park and recoup their investment, is to find a buyer for the home on site. Until that sale is completed, a home owner must keep paying site rent or they will be in breach of their agreement and be required to remove their home from the site (which is impractical and expensive).

While home owners carry all the risk of delayed sales, park owners are responsible for many of the things which influence the timely sale of homes, including the maintenance and amenity of the park, the amount of site rent, the terms presented in new site agreements, and the marketing of the home (where the park owner is given the selling authority).

These barriers to exit limit the bargaining power of home owners during negotiations about site rent as they are unable to take their business elsewhere. These same circumstances result in limited incentives for park owners to maintain the park's amenity and services and reduces competition that would otherwise place downward pressure on site rent once all homes in the park are sold.

On the whole, home owners and consumer representative groups tended to agree with the key issues in residential parks and their causes, as canvassed in the C-RIS. Industry representatives agreed on the existence of some issues, but not all. They tended to consider the issues were not as significant as described in the C-RIS noting that problems exist because of a few park operators in the market, and that not all park owners contribute to the problems.

Policy objectives

The C-RIS identified the policy objectives to guide identification of options to address the problems described above. The policy objectives are to provide:

Residential parks which are fair and transparent:

- Support consumers purchasing a manufactured home and entering into a site agreement to make an informed decision about the suitability of the site agreement for their particular financial circumstances and stage of life.
- Simplify the sales and assignment process for the benefit of all parties.
- Ensure consumers feel confident in their decision to live in a residential park and with the processes and protections provided by the Act.

A legislative framework which is contemporary and meets community expectations:

- Address differences in market power and ensure risks are appropriately shared between home owners and park owners so that:
    - home owners receive value for their site rent and their investment in their home is protected
    - park owners have obligations and incentives to maintain the amenity and standard of facilities in their residential park, and to assist in the resale of homes
- Ensure protections for home owners are not significantly less than those applying to retirement village residents, including to support people needing to leave a residential park to move into aged care, or to other accommodation.

Residential parks which are sustainable for home owners and park owners:

- Ensure site rent increases and variations are fair.
- Allow park owners to meet the costs of operating and maintaining their residential park and derive a reasonable profit from the park's operation to encourage growth, supply and competition in the industry.

Stakeholders were broadly supportive of the policy objectives presented in the C-RIS. However, some home owners and consumer representatives considered that the objectives could be strengthened to afford greater protections to home owners, given the extent of issues observed. One industry representative considered that the objectives could better emphasise the need to achieve harmony in communities by balancing the rights and obligations of both home owners and park owners.

Options considered in the C-RIS

The C-RIS considered options to achieve the policy objectives by addressing the causes of problems and considered the impact these options may have on home owners, park owners, the government and the community generally.

Non-legislative options were also considered as part of the C-RIS. These included:

- Improved education and resources for home owners.
- Strengthening community legal support.
- Supporting industry best practice.

These measures, while beneficial, were considered unlikely to be sufficient to achieve the policy objectives on their own.

A suite of 11 regulatory options were also considered. These options address the causes of the problems and could be packaged together in various configurations to produce optimal benefit for the community.

Following impact analysis, 7 preferred options were identified:

- Option 2 – Require residential parks to publish a comparison document
- Option 3 – Simplify the sales and assignment process
- Option 4 – Limit site rent increases to a prescribed basis
- Option 6 – Prohibit market rent reviews

- Option 7 – Limit site rent increases to the higher of CPI or a fixed percentage (for example, 3.5%)
- Option 10 – Require maintenance and capital replacement plans
- Option 11 – Establish a limited buyback and site rent reduction scheme

Improvements to dispute resolution processes such as improvements to the accessibility of Queensland Civil and Administrative Tribunal (QCAT) for home owners in vulnerable circumstances were not considered by the C-RIS. Improvements to the dispute resolution framework in residential parks and retirement villages are being considered in a separate review process.

Stakeholder feedback on the C-RIS

Stakeholder feedback on the C-RIS was collected through over 2,700 written responses or feedback forms, and 8 stakeholder workshops. There was a wide range of views on the options, including significantly divergent views between home owners and industry representatives.

Home owners tended to support many of the proposed reform options, in particular those that addressed concerns around rent increases. There was strong support for option 6 – prohibiting market rent reviews. Home owners expressed concerns around the unpredictability and magnitude of rent increases based on this mechanism. Home owners were less supportive of option 7 (the cap), given its use of CPI; and option 3 (simplifying the sales process); however, many responses from home owners indicated they were unclear about the way the latter option would work.

In contrast, industry representatives tended to oppose the proposed reform options. While they recognised home owner concerns, they stated concern about the impact of the reforms to their costs and revenues. They said the reforms increase risk to park owners and would have significant implications for investment in parks and long-term industry viability. However, park owners were broadly supportive of option 2 (the park comparison document), subject to further consultation.

Final reform package in the DIAS

This DIAS re-presents the detailed problem analysis, policy objectives and impact analysis of options contained in the C-RIS, provides detail of the stakeholder feedback in relation to these, and in consideration of this, presents a revised package of reform options. Given the opposing views of home owners and industry representatives, it was not possible to identify a set of options that was preferred by all parties. The DIAS reform package was selected after careful consideration of the relative costs and benefits of each option for each stakeholder group, the extent to which options achieve identified policy objectives individually and in combination, while preventing any likely unintended consequences.

Some details of the original options in the C-RIS have been amended to reduce risks to industry and home owners. The preferred package of reform options in the DIAS includes:

- Option 2 – Require residential parks to publish a comparison document (with exclusions)
- Option 3 – Simplify the sales and assignment process (with modifications)
- Option 4 – Limit site rent increases to a prescribed basis
- Option 6 – Prohibit market rent reviews
- Option 7 – Limit site rent increases to the higher of a fixed percentage (3.5%) or CPI

- Option 10 – Require maintenance and capital replacement plans (with modifications and exclusions)
- Option 11 – Establish a limited buyback and site rent reduction scheme.

The final preferred package of options is outlined in the table below with an explanation of how the options differ from the C-RIS and the rationale for change.

Table 1. Final reform package in the DIAS and changes from the C-RIS

Option	Description	Change from C-RIS and rationale
Option 2: Require residential parks to publish a comparison document	• Parks must prepare a comparison document which is hosted on their website. This allows home owners to compare different parks and options before meeting with a salesperson. Small / mixed-use parks with a low number of manufactured homes are exempt from the requirement.	• Small / mixed-use parks with a low number of manufactured homes are exempt from the requirement. • The exemption will reduce the impact on parks with a small number of sites, as the option would be relatively more costly for these parks.
Option 3: Simplify the sales and assignment process	• This option involves simplifying the process of selling a home, including an updated disclosure process which eliminates the distinction between assignment agreements and new site agreements. • Under this option, all site agreements for prospective home owners will be new agreements with updated terms and information. However, buyers' agreements must carry over prescribed terms from sellers' agreements, except for site rent agreements, except for site rent which may be reset to market rates (subject to reasonable limitations).	• While the new buyers' agreements must carry over prescribed terms from sellers' agreements, allowances are made for park owners to align site rent under a new agreement with market rates and to update site rent increase methods, subject to some limitations to ensure sellers are not disadvantaged. • The modification allows greater park owner flexibility to align site rents within their park and to the market. This helps to mitigate impact from loss of market rent reviews (Option 6).
Option 4: Limit site rent increases to a prescribed basis	• This option requires new site agreements to use approved bases for increasing site rent. • Prescribed bases to capture existing methods used in industry, except for market rent review.	• List of prescribed bases will be developed in consultation with stakeholders with the intent of capturing existing methodologies except for market rent review.

Option 6: Prohibit market rent reviews	• Market rent reviews can no longer be used as a rent increase mechanism. This will apply to existing as well as new agreements. • Market reviews in existing agreements to be replaced by alternative methods provided for in the site agreement; CPI; or another appropriate basis agreed by parties or inserted by QCAT.	• No change. This option is retained to ensure the ongoing cost of manufactured home ownership is transparent and predictable at the time of deciding to enter a park and invest in a manufactured home. • Transitional measures will allow a park owner to apply to QCAT to substitute the remaining increase basis in a site agreement for another basis, where that basis would be insufficient to cover cost increases.
Option 7: Limit site rent increases to the higher of CPI or a fixed percentage (for example, 3.5%)	• This option requires that future site rent increases are capped at 3.5% per annum. Where CPI is above 3.5%, the cap would raise to CPI.	• No change. This option is retained with the prescribed cap set at the higher of CPI or 3.5% to ensure manufactured home ownership is sustainable for home owners.
Option 10: Require maintenance and capital replacement plans	• Parks must prepare a maintenance and capital replacement plan outlining the expected costs of maintenance and capital replacement in the residential park over a forward period of 10 years. • There will be further consultation on details of the plan, such as its inclusions, how it will be made available, how the plan is to be adhered to, and frequency of updates.	• Requiring park owners to have a trust account for maintenance and capital replacement funds is not proposed, to reduce administrative burden for parks and impacts on business flexibility. • Instead, there will be requirements for parks to regularly consult with the home owners committee on maintenance and capital replacement priorities for the park. • Small / mixed-use parks with a low number of manufactured homes are exempt. The exemption for parks with a small number of manufactured homes would minimise the impact on these parks, given the option would be relatively costly for them.

Option 11: Establish a limited buyback and site rent reduction scheme for unsold manufactured homes	• This option creates a limited buyback and site reduction scheme for unsold manufactured homes. Home owners can opt in to the scheme when they meet the following eligibility requirements: ➢ The manufactured home was sold new onsite by the park owner (or previous park owner) or, if the home was originally moved into the park, the park owner has at one time sold the home on site under a selling authority. ➢ The park owner has had selling authority and has tried to sell the home for at least 6 months. • Where a home owner opts in to the buyback scheme the park owner and home owner must agree on a sale price for the home. If agreement cannot be reached, the home owner and park owner must engage a registered valuer to set a fair market price. The home owner must vacate the home at this stage and continue to pay site rent, however a 25% discount on site rent must be applied after 6 months where the home remains unsold. • Where a manufactured home is unsold for 12 months after the date of opt-in (18 months in total after the park owner is appointed under a selling authority), the park owner must buy the manufactured home. Park owners can seek an extension of time from QCAT where the buyback would cause the park owner undue financial hardship. • The scheme would not change the current rights of a home owner to sell their home themselves or using an agent of their choice, and home owners can choose not to opt in to the buyback scheme.	• The option is retained for the incentive it provides to prioritise sale of pre-owned homes and to better share risks between home owners and park owners. • Requirement removed for site rent to be reduced by a further 25% (50% total) where an extension of time is granted by QCAT due to financial hardship. This reduces the financial burden on park owners experiencing financial difficulty and provides greater flexibility for QCAT to make orders appropriate for the circumstances.

Impact analysis of options

The DIAS outlines the impact of proposed options, including costs and benefits for all stakeholder groups.

Impacts were determined using a 'comparison group' methodology using data from the 2022 survey. This involved identifying a cohort of survey respondents whose site rent situation most closely resembled the option under consideration and comparing the outcomes for this group to either the market as a whole or the cohort who would be impacted by the option. Where available, reliable public data such as historical rates of increase for CPI and the age pension has been used instead of, or to supplement, the comparison group data. Detailed information about the methodology and assumptions used is provided in this DIAS. While it is noted there were some comments arising in consultation about the robustness of the survey sample size and potential for bias as respondents self-selected, the survey received over 2,200 responses from households, with varying length of manufactured home ownership, responses from both mixed and purpose-built parks, a range of entry costs, and across most regions of the state with significant numbers of residential parks. For these reasons the sample is considered sufficiently representative.

The following table outlines the costs and benefits of the final package of preferred options.

Table 2. Impacts of reform package

Option	Summary of costs and benefits
Option 2: Require residential parks to publish a comparison document	Home owners • Improvement in satisfaction for prospective home owners from ease of comparison. • Improvement in clarity and predictability of rent increases for prospective home owners. • Potential increase in amenity. • 2% reduction in disputes to QCAT, yielding cost savings of $208 to the home owner market over 10 years (NPV). • 5% reduction in time to sell homes for incumbent home owners, resulting in cost savings of $151 in 2023 to $195 by 2033, per home owner. • The long-run (10-year) total savings to applicable home owners across the market is estimated at $1,626,000 (NPV). Park owners • Cost estimated at $687 per park, or approximately $5.94 per home for preparation of the initial comparison document and at $172 per park or approximately $1.48 per home for annual updates. • Long-run cost for non-exempt parks over 10 years is estimated at $247,076.[1] • Potential increase in competition among parks may erode profitability, by placing pressure on rent increases or incentivising additional expenditure on park maintenance and facilities. Government • 2% reduction in disputes to QCAT, yielding cost savings of $614 over 10 years (NPV). All stakeholders: market impacts • Neither demand nor supply are expected to change.
Option 3: Simplify the sales and assignment process	Home owners • Potential for site rents to increase on resale for the 26% of sales where agreements would have been assigned under the status quo. Anticipated long-run cost increase of $7,720,697 over 10 years from alignment of rents with market rates on resale. • Reduction in rent from a reduction in sale time, up to $390 per home in 2033. • Potential improvement in clarity, transparency and fairness. • Potential increase in sale prices.

[1] It was estimated that approximately 36% of parks would be exempt (applying the share of single-owner mixed use parks as a proxy).

	• Removal of requirement for home owners to apply to QCAT for assignment orders where a park owner refuses. Park owners • May simplify sales process as all agreements for prospective buyers would be new agreements. • Long run benefit of $7,720,697 over 10 years from alignment of site rents with market rates for sites where agreements would have otherwise been assigned. Government • Reduction in QCAT costs of assessing and ruling on disputes about assignment. All stakeholders: market impacts • No impact on demand or supply.
Option 4: Limit site rent increases to a prescribed basis	Home owners • Potential for higher rent increases ($349 (NPV)) on average per home owner over 10 years (in the absence of additional site rent control measures) with a small cohort benefiting from a reduction in rent increases. • Improvement in satisfaction, fairness, and affordability. • Minor cost savings from reduced disputes. Park owners • Potential for profit margin increases in the long run and at a faster rate than the base case, 0.8 percentage points higher than the market in 2033. • This would accumulate to approximately $335 per home and $3,300 per average park over a 10 year period (NPV). • Negligible cost savings from reduced disputes. Government • Cost savings of approximately $436 by 2033 and $2,300 (NPV) over the coming 10 years compared to the base case. All stakeholders: market impacts • Neither demand nor supply are expected to change. • The modelling has considered new agreements.
Option 6: Prohibit market rent reviews	Home owners • Significant benefits from improved predictability and transparency. • Improvement in satisfaction and fairness, as market rent reviews are a significant source of concern for many home owners. • The long-run savings to the average home owner from reduced site rent is estimated at $104 per site over 10 years. This equals $3,508,024 assuming 10,000 additional sites (33,731 total) over the next 10 years.

	• 70% reduction in disputes to QCAT, yielding cost savings of $7,300 to the home owner market over 10 years (NPV). **Park owners** • The reduction in profits is estimated at approximately $35 per home or approximately $4,100 per park by 2033. • Reduced costs of market valuations estimated at $4,360,500. **Government** • Reduction in complaints to the department. • The potential benefit to the government in cost savings is estimated at approximately $4,100 by 2033 and $21,500 (NPV) over the coming 10 years compared to the base case. • Savings for government potentially offset by small increase in disputes during transition into new framework. **All stakeholders: market impacts** • Modest increase in demand not matched by supply may lead to upward pressure on manufactured home purchase prices.
Option 7: Limit site rent increases to the higher of CPI or 3.5%	**Home owners** • 36% of home owners (high rent cohort) experience a reduction in rent increases of $4,400 per home owner over 10 years (NPV). • Remaining 64% home owners anticipated to receive low or negligible benefits as existing rent increase basis below cap. • Improvement in satisfaction, fairness, and affordability. • 10% reduction in disputes to QCAT, yielding cost savings of $1,000 to the home owner market over 10 years (NPV). **Park owners** • Profit margin increases in long run but at a slower rate than the base case. • Small initial increase in number of disputes to QCAT where park owners make use of transitional provisions. **Government** • Cost savings is estimated at approximately $2,200 by 2033 and $11,500 (NPV) over the coming 10 years compared to the base case. **All stakeholders: market impacts** • Small reduction in supply, and potential increase in demand due to lower profit growth incentives for park owners, and stronger consumer confidence due to stabilised rental increases.

Option 10: Require maintenance and capital replacement plans	**Home owners** • Improvement in the transparency of financial information about park expenditure. • Potential increase in amenity. • 30% reduction in disputes to QCAT, yielding cost savings of $3,100 to the home owner market over 10 years (NPV). **Park owners** • Cost of approximately $10,000 per park in the first year to develop the plan, amounting to $86 per average home and approximately $5,000 per park each subsequent year, amounting to $43 per average home.[2] • Reduction in profits is estimated at approximately $56 per home or approximately $6,500 per park by 2033 which would accumulate to approximately $404 per home and $46,800 per park over a 10 year period (NPV). • The total cost to park owners over 10 years is estimated at $9,497,100.[3] Note the modelling assumes the plan is updated annually.[4] **Government** • Cost savings of $9,200 over 10 years (NPV). **All stakeholders: market impacts** • Holding demand constant, a reduction in supply would have the effect of increasing manufactured home purchase prices.
Option 11: Establish a limited buyback and site rent reduction scheme for unsold manufactured homes	**Home owners** • Savings estimated at approximately 7-12% in rent, with savings increasing incrementally each year, to $291-$466 by 2033. • The long-run (10-year) total savings to home owners in the market is estimated at $2,424,000 - $3,887,000 (NPV). • Increase in certainty for home owners around park exit. • Earlier access to funds, potentially enabling access to more suitable accommodation. • Potential increase in amenity in parks. **Park owners** • Reduction in site rent estimated at $6,000 per park over 10 years.

[2] The estimates of costs to park owners of developing and maintaining the plan were reduced compared to the C-RIS, based on stakeholder feedback and given the maintenance plan is likely to leverage existing plans developed by park owners.
[3] Based on estimated cost per park over 10 years multiplied by the number of parks. This assumes a worst-case scenario in which all parks do not currently have maintenance and capital replacement plans and will need to dedicate resources to their development. Many parks are likely to already have plans in place as a matter of good practice and may already be substantially compliant with requirements. In this situation, parks will need to be transparent about the content of these documents and as a result, this cost may be overestimated.
[4] If the plan was instead updated every 3 years, the cost would reduce to $4,125,900.

	• Additional costs associated with buying and selling homes they buy back, including a mortgage registration fee ($209), legal and conveyancing fee ($1,600), and marketing costs ($1,250). • Financing cost of $399 per home per week equating to approximately $9,500 per park over 10 years. • Benefit estimated at $4,700 per park over 10 years from increased frequency of sales commission. • The potential tax implications of the buyback scheme (including GST) have not been considered in this analysis. All stakeholders: market impacts • Increase in demand not matched by supply may lead to upward pressure on manufactured home purchase prices.

Financial costs and benefits of the reform package

The table below provides a high-level estimate of the cumulative costs and benefits of the preferred package of options over a 10 year period. These estimates are high level and intend to provide an indication of costs and benefits only. As the costs and benefits of options are not linear, may overlap, or compound in ways which are difficult to predict, the total provided is speculative.

Table 3. Financial costs and benefits of the reform package

Benefit	Cost
Savings from reduced sale times for home owners • Option 2: $1,626,000 • Option 3: $3,252,000 • Option 11: $3,887,000 • Total: $3,887,000 - $8,765,000 (midpoint 6,326,000)[5]	Cost of park owners of preparing residential park comparison document • Option 2: $247,046
Park owner benefit from ability to reset site rent on resale of home from new site agreement • Option 3: $7,720,697	Cost to new home owner from increased site rent on resale of home from new site agreement • Option 3: $7,720,697
Benefit of lower site rent increases for home owners • Option 6: $3,508,024 • Option 7: $53,429,904 • Total: $53,429,904 – $56,937,928 over 10 years (midpoint $55,183,916)	Reduced park owner income due to lower site rent increases: • Option 6: $3,508,024 • Option 7: $53,429,904 • Total: $53,429,904 – $56,937,928 over 10 years (midpoint $55,183,916)
Reduced cost of market valuations for park owners • Option 6: $4,360,500	Cost of reduced site rent and buyback requirements for unsold homes • Option 11: $5,749,000
Additional park owner revenue from sales of unsold homes • Option 11: $957,000	Cost of implementing maintenance and capital replacement plans • Option 10: $9,497,100

[5] Range based on the maximum benefit of option 3 and 11 (assuming not all benefits are cumulative), and the added benefit of options 2, 3 and 11. The likely impact assumes partial accumulation of benefits depending on individual circumstances.

Benefit	Cost
Reduced disputes (assuming a cumulative 70% reduction in disputes[6] across all options): • $7,300 for home owners over 10 years based on QCAT application fees • $80,700 over 10 years for government[7] • Cost and time savings for park owners resolving formal and informal disputes: $8,925,000[8]	
Increased sales values from increased amenity and confidence in the residential park industry All options: Not costed	
Reduced burden on homelessness services All options: Not costed	
Total benefit to the community as a whole The reform package results in an estimated total financial benefit across the market of $83,561,113	**Total cost to the community as a whole** Reform package results in an estimated total financial cost across the market of $78,397,759

Table 4. Total financial cost and benefits on impacted groups over 10 years

	Home owners	Park owners	Government
Total benefit	$63,138,716	$21,963,197	$80,700
Total cost	$7,720,697	$70,677,062	-
Net position	$55,418,019	-$48,713,865	$80,700

The estimated costs and benefits to the community from the revised reform options selected in this DIAS delivers a qualitative net benefit of $5,163,354 over 10 years, assuming a midpoint of estimated cost / benefit ranges.

This compares to a midpoint net benefit of $571,000 over ten years in the preferred package of options identified in the C-RIS. This change is primarily attributable to:

- a reduction in the estimated cost to park owners of implementing maintenance and capital replacement plans, given this would leverage existing plans/work undertaken by park owners
- a reduction in cost to park owners of preparing residential park comparison documents due to the exemption for small parks, and

[6] 70% based on the maximum estimated for the benefit of option 6, conservatively assuming additional reductions are unlikely to be cumulative beyond that.
[7] Based on cost of disputes at QCAT from 2021-2022 annual report. This is likely underestimated due to the length and complexity of residential park disputes.
[8] Assumes a 70% reduction in disputes, with an hourly rate of $50 for park managers and 100 hours per year per park spent on formal and informal disputes about site rent and sales.

- allowing park owners to reset rents on the sale of a home, subject to limitations, which results in a cost to new home owners from increased site rent following resale.

Other impacts of the reform package

A range of other important impacts (mostly benefits) of the preferred reform package were identified, which are difficult to quantify. These include:

- greater transparency of site agreements
- fairer site rent increases leading to improved affordability and increased spending in local communities
- improved amenity and service in residential parks
- improved housing security and a reduced burden on the social housing system
- improved health and wellbeing of home owners
- reduced burden on government and
- maintaining the value of capital in manufactured homes and improved consumer satisfaction and confidence in the industry.

A further possible impact is an increase in the price of manufactured homes for prospective home owners because of improved consumer confidence and reduced supply.

Conclusion of impact analysis

Based on the above assessment of the estimated costs and benefits to the community, the reform package is estimated to deliver a quantitative net benefit of $5,163,354. This does not include consideration of qualitative benefits and benefits which could not be costed.

In total, the package proposes a significant redistribution of benefits, amounting to an estimated benefit of $55,418,019 for home owners, and an estimated cost of $48,713,865 for park owners across the market over 10 years.

Most of the quantitative benefits of this reform package are experienced by home owners who benefit from slower rates of increase in site rent compared to the status quo, reduced sale times, cost savings from reduced disputes, as well as substantial non-financial benefits from improved transparency, predictability, fairness, reduced conflict, improved quality of life and greater housing security. A broader benefit of the package is improved consumer confidence in the residential park industry, which has the effect of driving demand and expanding the potential market and profitability of residential parks at rates which cannot be accurately predicted.

The impact of these reforms on housing supply and demand are complex. In the absence of such reforms, low consumer confidence and satisfaction measures and reputational issues could make residential parks less attractive than other options, reducing demand and affecting growth in the industry. To this extent, reforms support demand which is beneficial to both existing home owners and park owners, as high levels of confidence support stronger sales prices and allow park owners to establish higher starting rents when parks are developed (ergo with lower potential for growth over time). Conversely, increased regulatory constraint on rent increases introduces greater risk, and reduces adaptability for park owners. This has the potential to make investment in future developments in Queensland residential parks less attractive for developers who may seek to pivot into development in less regulated jurisdictions.

The quantifiable benefits to government, though positive, are likely understated, as the package will have positive impacts on services that are funded by government such as the Queensland Retirement Village and Park Advice Service, home owner advocacy and support groups, and the education, enforcement, and compliance activities of the department's Regulatory Services Unit. These services will continue under the proposed package of options, and thus their costs have not been included, however the reduced burden on these services is likely to improve the quality of these services by freeing up resources for more proactive and educative work that reduces costs over the medium to long term.

The preferred package of reform options is expected to provide a net benefit to the community. Given the relatively high rates of profitability within the residential park industry, a redistribution of benefits to home owners is reasonable and appropriate, particularly as some benefits for park owners can be attributed to a lack of consumer protection in residential parks in comparison to other seniors housing such as retirement villages.

However, it is possible that in some circumstances individual park owners may experience financial difficulty due to the reforms, subject to their individual circumstances and business models. Where this occurs, parks may need to make use of mechanisms in the Act which allow for special adjustments in rent to fund operational and repair costs where necessary to maintain park viability. Similarly, parks which are likely to experience undue financial hardship due to buyback requirements may need to seek an order delaying a buyback. As a result, while regulatory changes proposed in this DIAS remain subject to reasonable safeguards against park closures, there may nonetheless be an increase in administrative burden for parks which need to make use of these safeguards.

Additional recommendations and non-legislative responses

Several additional recommendations were identified as potential changes to the Act:

- Amending the objects of the Act to include protecting home owners from unfair site rent increases and preserving security of tenure for home owners.
- Amending the Act to require registration and suitability requirements for residential parks and park owners, similar to those applying to retirement villages.
- Developing a registration system for manufactured homes which allows home owners to register ownership of their manufactured home and supports buyers to confirm that the seller of a home is the legal owner.
- Amending the Act to allow a manufactured home owner to sell their home where their site agreement is terminated by QCAT under s.38 of the Act, for example where there are unremedied breaches of the site agreement. This would allow a home owner to recoup their investment in the home as positioned on the site rather than being required to give vacant possession of the site.
- Amending the Act to clarify that where a site agreement is terminated because the park owner is seeking to use the land for another lawful purpose, the compensation order by QCAT may consider the reasonable purchase price for the home if it was sold as positioned on the site.
- Amending the Act to resolve any ambiguity around retirement village-style exit fees and clarify that such fees are prohibited.

- Amending the definition of ‘manufactured home’.
- Amending the Act to specify a definition for CPI that must be used for a CPI-based increase of site rent in the future.
- Improving the presentation of information in precontractual disclosure documents and site agreements, particularly in relation to the future costs of site rent.

The additional recommendations received less feedback from stakeholders compared to the primary reform options. In general, where feedback was provided, home owners tended to be supportive of the recommendations.

Most stakeholders supported the recommendation to develop a registration system for manufactured homes, and improvements to precontractual disclosure.

There were mixed views from industry groups and park owners on implementing registration and suitability requirements for park owners, strengthened protections around a home owner’s ability to sell and be compensated when site agreements are terminated.

Industry groups and park owners were largely opposed to:

- updates to the objects of the Act (believing this change to be unnecessary)
- changes to the definition of manufactured home (raising concerns about unintended consequences)
- prohibiting retirement village-style exit fees (noting this is ordinary practice among a small number of parks and the fees are clearly disclosed in site agreements).

Stakeholders identified the potential for unintended consequences if proposals to change the definition of manufactured home and prohibiting retirement village-style exit fees were implemented. These recommendations therefore require further consideration and impact analysis (not undertaken in the C-RIS) and are not recommended to be part of the current package of reforms.

Based on consumer feedback, an additional recommendation is now being made as follows:

- The Act should be amended to ensure manufactured home owners are given multiple choices of approved methods for paying site rent in residential parks, including methods which do not attract additional administrative or servicing fees.

Chapter 1: Introduction

This chapter provides an introduction to this DIAS, including an overview of residential parks.

1.1 Problem identification and regulatory impact analysis approach

To effectively identify and analyse problems effecting residential parks, it is important to distinguish between the key problems which are apparent and affecting home owners in residential parks, and the factors or causes which contribute to that problem.

Throughout this DIAS, problems are considered using the following structure:

- Identification of key problems: discussion and analysis of available evidence to identify the scope and severity of the problem.
- Causal analysis: Analysis of the policy setting, market conditions and circumstances which are contributing to, or causing the problem.
- Option identification: Analysis of options and the degree to which these options address identified issues and deliver on the government's policy objectives.
- Impact analysis: Consideration of the likely financial and non-financial impacts of options.
- Identification of preferred options: Preferred options are those which achieve the greatest net benefit for the community considering the costs, benefits and impact of viable options.

1.2 Residential parks and manufactured homes

Residential parks are regulated by the *Manufactured Homes (Residential Parks) Act 2003* (the Act).

Manufactured homes are defined in the Act to be a structure, other than a caravan or tent, that has the character of a dwelling house, is designed to be able to be moved from one position to another, and is not permanently attached to the land.

Residential parks are defined to be an area of land that includes sites, common areas and facilities for the personal comfort, convenience or enjoyment of persons residing in manufactured homes positioned on the site.

The stated objective of the Act is to regulate, and promote fair trading practices in, the operation of residential parks to:

- protect home owners from unfair business practices, and
- enable home owners, and prospective home owners to make informed choices by being fully aware of their rights and responsibilities in their relationship with park owners.

These objectives are advanced by describing home owners' and park owners' rights and obligations; facilitating the disclosure of information; and regulating site agreements, the sale of manufactured homes and variations of site rent.

The Act's objectives also include supporting the growth and viability of the residential park industry and providing certainty for the residential park industry in planning for future expansion.

Home owners make a large investment when buying their manufactured home, with a median manufactured home price of $518,000 in Queensland in 2022. However, home owners in these parks do not own the land their home is on or hold rights associated with land ownership.

A site agreement gives home owners a contractual right to have their home on the park owner's land until the site agreement is terminated. This relationship is regulated by the Act, and provides long-term, and relatively secure tenure for home owners. Park owners benefit from receiving reliable income for each occupied site in the park, profit from the initial sale of homes, and earn commission on resales when home owners appoint them as their agent under a selling authority.

Because there is no transfer of land ownership, manufactured homes are typically more affordable than a conventional home with the same level of amenity, but their price often exceeds the value of the structure itself. When a manufactured home in a residential park is sold, the dwelling is being sold along with the package of rights for the long-term usage of the land and communal facilities in the park.

There are two main costs associated with ownership of a manufactured home, being the home purchase price and the payment of site rent. Unlike a conventional home where the cost of ownership decreases as the mortgage is paid down, the cost of owning a manufactured home is ongoing and typically increases each year under the terms of a site agreement. However, there are also benefits such as not paying individual rates or body corporate fees and potential eligibility for Commonwealth Rent Assistance (CRA).

Manufactured home owners require capital to purchase their home, but the majority of home owners are retirees who often have low, fixed incomes. Based on the 2022 survey data, it is likely that a significant proportion (approximately 78%) of home owners receive a full or part age pension. For many it will be their sole source of income while others may have a combination of pension payments supplemented by superannuation and/or retirement savings.

The way in which site rent can increase is a core component of the value proposition of manufactured home ownership. Site rent pays for the use of the land, access to facilities and services in the park, capital replacement and maintenance in the park, wages for park employees, insurance, legislative compliance and administration, repayments on any park owner debts, and the park owner's profit.

The Act regulates processes involved in site rent increases, but the starting amount of site rent, and how site rent increases are calculated, is set out in the site agreement between the home owner and the park owner.

1.3 Overview of the residential park industry

Historically, residential parks have been an affordable housing option for Queenslanders seeking the security of home ownership at a lower price than a typical residential home in that area.

In recent years, residential parks have emphasised the community lifestyle they provide. Targeted almost exclusively to the over 50s market, the popularity of 'lifestyle villages' is driven by factors including location, the facilities and services provided, and the relative affordability of homes and their low maintenance.

The residential parks industry has experienced steady growth over the last 10 years. In 2013, there were 168 residential parks in Queensland containing 14,000 manufactured home sites.[9] As at February 2023, there were 200 residential parks in Queensland listed on the public register containing a total of 23,731 home sites[10]. An estimated 38,753 people currently live in residential parks in Queensland (assuming all sites are occupied).[11]

Of the 200 residential parks, 95 parks are listed as 'mixed-use', containing both manufactured homes and caravans or other forms of accommodation. The remaining 105 residential parks are listed as 'purpose-built' parks containing only manufactured homes.

Despite a relatively even split of mixed-use and purpose-built parks, purpose-built parks account for approximately 87% of home sites. The median number of sites for a mixed-use park is 8, while the average is 32 sites and the largest park has 220 sites. The median and average number of sites for purpose-built parks is 196, with the largest park having 554 sites.

Market analysis[12] has identified approximately 9,500 to 10,300 new home sites across 55 parks in the development pipeline, with approximately 80% of these new parks to be owned by large operators. Currently, 52% of all parks in Queensland are owned by large operators, or operators with more than one park.

Income from site rent is estimated to comprise approximately 95-100% of park owners' total revenue once a park is developed, with resale commission comprising 1-5% of total revenue. Market analysis suggests that across the market, park owners have a gross profit margin (net operating profit as a percentage of gross revenue) of between 30% and 70% with an average of 43% for small park owners. This excludes corporate overhead costs which are estimated to range between 10% to 20%.

For new entrants into the market, target development margin is between 12% to 15%, however this is likely to fall towards the lower end due to escalating construction costs, which were reported as increasing by approximately 30% in the 12-18 months leading up to August 2022.

[9] 2013 survey of manufactured home owners
[10] February 2023 figures have been used for modelling throughout the document, and thus have not been updated to reflect more recent figures. As at 30 June 2023, there were 198 recorded residential parks, with 24,247 sites.
[11] Estimate based on 2022 survey data on household composition.
[12] An economic analysis of the industry and the impacts of options was commissioned by DCHDE. The analysis draws on market sounding and available industry and property data.

1.4 History of residential park legislation

The *Mobile Homes Act 1989* was the first specific consumer protection legislation for home owners living in residential parks in Queensland. The *Mobile Homes Act 1989* was introduced when long-term home owners in a residential park faced eviction following the sale of their park. The *Mobile Homes Act 1989* was repealed and replaced by the *Manufactured Homes (Residential Parks) Act 2003* (the Act). The Act was introduced to strengthen consumer protections and respond to issues emerging from the growing residential parks industry.

In 2008, the *Review of the Manufactured Homes (Residential Parks) Act 2003 Outcome Report* was tabled in Parliament. The 2008 review sought to ensure the Act was meeting community and industry expectations. In 2010, the Act was amended to strengthen consumer protections while supporting the continued growth of the residential parks industry.

In November 2011, a series of home owner and industry stakeholder forums were completed by the department and a discussion paper released. Feedback from the forums and submissions identified the most pressing issues for home owners as being utilities charges, the behaviour of park management, increases in fees and charges, changes to park rules and strategies for encouraging alternative manufactured home sites.

The Act was last amended in 2017 with the passage of the *Housing Legislation (Building Better Futures) Amendment Act 2017*. Amendments related to site rent increase processes, dispute resolution and precontractual disclosure, and sought to improve consumer knowledge, park owner transparency, and reduce disputes.

The 2017 amendments were informed by consultation and engagement activities undertaken between 2013 and 2016, including a home owners survey in 2013 and survey report in May 2014, and examination of issues by a working party comprising representatives from park owner groups, home owner groups, consumer advocates and the legal profession. State-wide community engagement with home owners, park owners and their representatives also took place on the *Queensland Housing Strategy 2017-2027* and the 2017 amendments.

In June 2021, the Government released the *Queensland Housing and Homelessness Action Plan 2021-2025,* which included a commitment to deliver improvements for residential (manufactured home) parks to address concerns about site rent increases and unsold homes.

1.5 The regulatory framework around site rent increases

A park owner is paid site rent by a home owner for the right to position their manufactured home in the park, and for access to the park amenities. The amount of site rent is agreed between the home owner and the park owner in a site agreement. Site agreements also cover the arrangements for increasing site rent. The Act allows two types of site rent increases: those provided for in the site agreement (general increases) and increases to cover special costs (special increases). Different requirements apply depending on the type of site rent increase proposed by the park owner.

1.5.1 General increases in site rent

General increases occur in accordance with the site agreement between a home owner and park owner. The Act limits general increases to once per year, using a single basis at a time. However, a site agreement may provide that a different basis can apply, on say, every third year. A residential park must have the same increase day for each site with the same increase basis.

Home owners must be given a notice of general increase at least 35 days before the increase takes effect. Additional requirements apply where the basis for increase is a market rent review.

The Manufactured Homes (Residential Parks) Regulation 2017 (the Regulation) prohibits misleading calculation of site rent increases.

1.5.2 Market rent reviews

Market rent reviews are a common type of general increase, where site rent is increased by comparing rents with those payable in other residential parks and other residential accommodation. A park owner must engage a registered valuer to do a market valuation and consult with the home owners committee (or a proportion of home owners if there is no committee) about the market review at least 63 days before the general increase day. In their market valuation, the registered valuer must disclose any connection to, or agreement with, the park owner that may call into question the independence of the valuation.

1.5.3 How general increases in site rent can be disputed

Three-stage dispute resolution process

Under the Act, a home owner or group of home owners who want to challenge a site rent increase must follow a three-stage dispute resolution process, which includes:

- Formal park-level negotiation with the provision of a dispute negotiation notice.
- Mediation by a QCAT appointed mediator.
- A hearing by QCAT to decide on the matter.

Disputing a general increase in site rent

For a general increase in site rent, the onus is on the home owner to dispute the increase, if they believe it is excessive. A group of home owners may also dispute an increase jointly.

When deciding if an increase is excessive, QCAT can consider a range of matters including site rents in nearby residential parks, the amenity and standard of the park’s facilities, increases in operating costs, and anything else considered relevant.

Seeking site rent reductions

A home owner may seek a reduction in site rent if they believe the amenity or standard of the residential park’s common areas or facilities has substantially decreased, or a communal facility or service has been withdrawn. A reduction may also be sought if a service or amenity described in advertising or precontractual documentation is not provided, if utilities included in site rent become separately measured and payable by the home owner, or the utility stops being available. Applications for a site rent reduction also follow the three-step dispute resolution process.

1.5.4 Special increases in site rent

Special increases in site rent allow a park owner to propose an increase in site rent to cover 'special costs' not provided for in the site agreement. Special increases may only cover specific types of cost, including:

- Significant increases in operational costs in relation to running the park, including significant increases in rates, taxes or utility costs for the park (an '**operational cost**').
- The cost of significant repairs in relation to common areas or communal facilities in the park that the park owner could not reasonably have foreseen and could not reasonably have obtained insurance to cover (a '**repair cost**').
- The cost of significant upgrades to the common areas or communal facilities in the park (an '**upgrade cost**').

To increase site rent to cover a special cost, a park owner must give written notice to home owners describing the increase and providing an opportunity for home owners to respond in writing, either agreeing to or disputing the increase.

For an upgrade cost, where notice is provided to more than 4 home owners, 75% of home owners must agree with the increase. For all other special increases, the park owner cannot increase the rent unless each home owner agrees.

If consent is not given the three-step dispute resolution process applies and the park owner must apply to QCAT to have the increases approved for any home owners that did not agree.

To make an order approving a special increase in site rent, QCAT must be satisfied that unless the site rent is increased as proposed, the residential park will not be viable without significantly reducing the park owner's capacity to meet their responsibilities under the Act.

1.6 The regulatory framework for sales in residential parks

Home owners have a right to sell their manufactured home positioned in a residential park.

The sale of a manufactured home in a residential park typically involves three parties: the seller (the existing home owner); the buyer (the prospective home owner); and the park owner.

Home owners may sell their home personally, appoint the park owner to act as their selling agent by signing a selling authority, or by engaging an independent real estate agent. A park owner cannot charge a fee for the sale of a home unless there is a selling authority in place and the park owner is the effective cause of the sale.

The fee for a park owner selling the home must not be more than the amount prescribed by the Regulation, which is $900 plus 2.5% of the sale price over $18,000.

Home owners may seek to negotiate fees lower than this prescribed cap. Where a manufactured home positioned on a site in a residential park has been purchased, the buyer can be assigned the seller's existing site agreement or enter into a new site agreement. The park owner must not hinder assignment of the site agreement by unreasonably refusing to consent to a proposed assignment of a site agreement.

1.7 Similarities with retirement villages

The *Queensland Housing Strategy 2017-2027* includes commitments to streamline the legislative frameworks for regulated forms of housing (such as retirement villages and residential parks), to promote resident protection, innovation and regulatory consistency.

Residential parks have evolved to serve the needs of older Queenslanders, as retirement villages have done for many years. It is reasonable to consider if the differences in the regulatory oversight of retirement villages and residential parks remains appropriate.

Retirement villages and residential parks in Queensland have commonalities in that both:

- primarily accommodate retirees, with many on limited, fixed incomes
- involve complex contracts and laws which are unfamiliar to consumers and non-specialist advisors
- provide communal infrastructure and services, the standards of which impact on consumers' amenity, lifestyle and resale value
- are increasingly owned by large and multinational operators who buy and sell them, bringing new management approaches and revenue priorities
- involve tenure arrangements not common in other accommodation settings
- require significant consumer capital investment and payment of on-going charges that can be increased
- involve complex arrangements on departure which can lead to disputes and impact on transition to other accommodation, including aged care, and which may involve families
- put people into long-term relationships with managers, park owners and fellow residents / home owners
- rely on problems being resolved through a 3-step dispute resolution system and have disputes involving numbers of residents in a park or village.

Both regulatory frameworks have as main objectives protecting consumers from unfair business practices and seek to balance this against the growth and viability of the respective industries. However, the regulatory framework for each industry is reflective of the products and services provided and the way each industry has evolved.

Retirement villages have more clearly operated as a provider of seniors housing and have been regulated in a way that is commensurate with the need to ensure fair trading for the potential vulnerable cohort living in these villages. By comparison, residential parks have progressively evolved as a seniors housing option and home owners have had to take greater responsibility for their decisions under a less robust framework of protections. For example, there are safeguards and suitability requirements imposed to ensure retirement villages are only operated by fit and proper persons, however similar requirements do not apply to residential parks. A more detailed comparison of the similarities and differences between retirement villages and residential parks legislation is at Appendix B.

There are also differences in the extent to which each industry has self-regulated and set appropriate standards of conduct for participants in the market. For example, the industry-developed *Retirement Living Code of Conduct* was designed so that it can be taken up and applied in residential parks, but this does not appear to have happened in many residential parks in Queensland. Further, the retirement village industry has developed an industry accreditation scheme (the Australian Retirement Village Accreditation Scheme) but there does not appear to have been any equivalent scheme developed to apply to residential parks.

As practices in each industry converge, consideration should be given to whether it is appropriate that the protections against unfair business practices for vulnerable consumers should differ so markedly. There is a reasonable expectation in the community that products and services targeted at vulnerable cohorts are held to an appropriate standard and to ensure these cohorts are protected. Greater consistency in the regulatory framework would provide benefits to the community and industry by improving the options for older Queenslanders and reducing barriers to fair and effective competition across the seniors' accommodation market.

1.8 What is this DIAS about?

Community feedback suggests many home owners are finding themselves in financial difficulty due to increases in site rent. Home owners have expressed concern that the way site rent can increase under their site agreement is unfair and that they did not, or could not, have anticipated the rate at which their site rent would grow. These concerns have been exacerbated recently due to rising inflation which has increased the scale of CPI-based site rent increases, and the cost of other essential goods and services.

Increases in site rent can affect home owners' ability to pay for necessities such as food, transport, medication and medical care. It can also impact home owners' social and psychological wellbeing. This DIAS explores whether the Act is meeting community expectations about consumer protection in residential parks, and how changes to the regulatory framework could improve the fairness, consistency, and transparency of site rent increases in residential parks.

Another set of problems considered in this DIAS concerns the process of selling a manufactured home. Relocating a home is often impractical as the design of manufactured homes becomes more elaborate. When site rent becomes unaffordable or a home owner is unhappy with the amenity or condition of a park, or needs to move for other reasons, the only practical way of exiting is to find a buyer for their home.

As home owners must continue paying site rent for as long as their home is in the park, delayed sales can have significant financial impacts on home owners, particularly where they are no longer able to live in their home because they are required to move into residential aged care.

Calls from home owners to address issues related to site rent increases and sale of homes in residential parks by amending the Act have increased. The purpose of this DIAS is to highlight the options that were considered to improve the residential parks market, the feedback that was obtained on them, and how the final set of recommended options was selected.

Chapter 2: Consultation and research

In June 2022, the department released an issues paper and survey for the purposes of understanding issues, seeking feedback, and obtaining demographic data and other information necessary to inform regulatory impact analysis.

2.1 The 2022 survey

2.1.1 Background

The survey for manufactured home owners living in residential parks (2022 survey) sought to gather data on the experiences of home owners in residential parks. This survey was open for eight weeks, closing on 15 August 2022.

The 2022 survey sought information from home owners and former home owners including:

- Age, gender, cultural identity, ongoing disability, geographic location, and living circumstances.
- Income and sources of income.
- The length of time living in a residential park and motivations for entry.
- Original and current site rent, the amount of the most recent site rent increase, and the frequency and basis for site rent increases under their site agreement.
- Experience moving or relocating a manufactured home.
- Experience of selling a manufactured home, including time spent to sell.
- Experience with precontractual disclosure and receiving legal or financial advice.
- Confidence and satisfaction with residential parks and their regulation.

2.1.2 Response to 2022 survey

The department received 2,201 completed surveys, including 973 online responses and 1,228 hard copy surveys. Assuming one response per household, this represents approximately 9.4%[13] of manufactured home sites at the time of the survey in Queensland[14]. Demographic information on survey respondents is included below.

Household composition

60.7% of respondents to the 2022 survey of home owners lived with a spouse or partner while 36.7% live alone. The majority of the remaining 2.6% of respondents lived with someone other than a partner, for example adult children or a housemate.

Age distribution

90% of respondents to the 2022 survey were aged 65 or older, and only 1% identified as under 55 years of age, supporting the view that residential parks are predominantly a housing option for older Queenslanders. A breakdown of ages is as follows:

- 47% aged 75 or older
- 43% aged 65-74
- 7% aged 55-64
- 1% under 55
- 2% no answer

[13] Assuming that only a single survey was completed per household as requested by the survey.
[14] Total number of sites derived from CHDE Residential Park (Manufactured Homes) Register per update on 4 April 2022.

Gender distribution

51% of respondents identified as female, 46% of respondents identified as male, less than 1% identified as non-binary and 2.5% preferred not to answer.

77.9% of lone households and 76.4% of low-income lone households identified as female.

Disability

24.9% of respondents identify as having an ongoing disability.

2.1.3 How the 2022 survey data has been used

Data collected from the 2022 survey has been the primary source of information for analysing and quantifying the problems being experienced by home owners and assessing the impact of potential options for delivering improvements related to site rent increases and sale of homes.

2.1.4 Reliability of survey data

Survey responses were provided voluntarily by home owners on an opt-in basis. As a result, survey data are subject to possible selection biases as dissatisfied home owners may be more likely to engage in reform processes. Due to the complexity of some survey questions, there were a range of identifiable errors in responses (for example, providing fortnightly site rent instead of weekly). Data cleansing protocols were applied to correct or remove information where relevant.

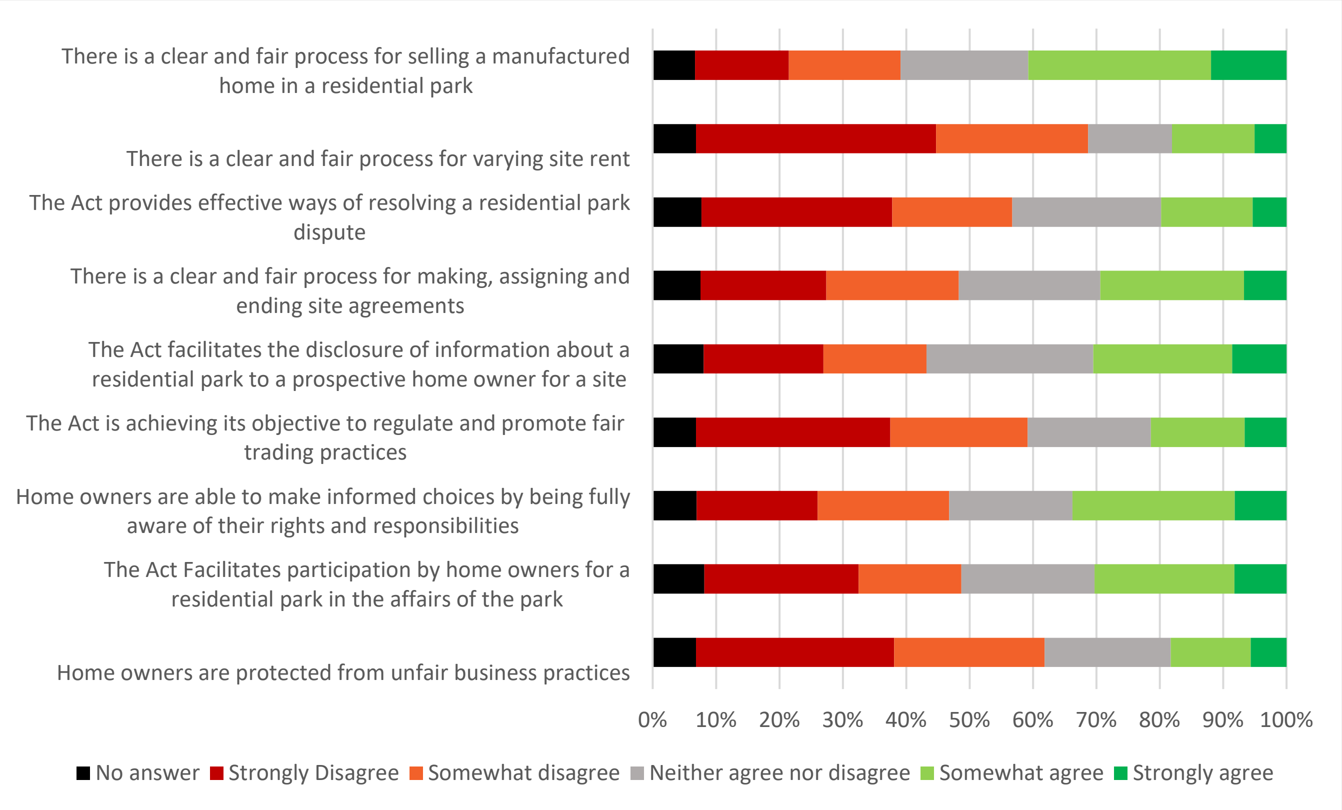
2.1.5 Measuring consumer confidence

Consumer confidence has impacts on both home owners and park owners. Home owners may benefit from increased sale prices and greater demand at the point of resale where perceptions of residential parks are positive. Park owners benefit from marketplace confidence and demand, allowing them to expand, develop, sell new manufactured homes, and grow equity in their business. Conversely, if consumer confidence in residential parks and the Act declines, this may impact on demand and sales, increasing the time to sell manufactured homes and the capacity for home owners to exit their park.

A consolidated graph of consumer responses on their perceptions of residential parks in the 2022 survey is provided in the figure below. This graph shows that a large proportion of home owners do not believe the Act is achieving its objectives, particularly in relation to providing a clear and fair process for varying site rent, providing an effective way of resolving disputes, and protecting home owners from unfair business practices. There are higher levels of consumer satisfaction with the way the Act regulates the process for selling a manufactured home and facilitates the disclosure of information to a prospective home owner.

Survey responses on home owner perceptions of residential parks and the effectiveness of the Act provide some measure of whether the Act is meeting community expectations and delivering on its stated objectives. Monitoring satisfaction will be important in evaluating the effectiveness of reforms.

Figure 1. 2022 survey perceptions about the regulatory framework



2.2 Issues paper

The issues paper, released alongside the home owner survey in June 2022, set out the concerns with site rent increases and unsold homes that had been identified at that time. These concerns had been raised in correspondence, submissions and petitions and in meetings with:

- Individual home owners
- Home owner and park owner groups
- Legal and consumer advocacy groups
- Members of Parliament on behalf of their constituents

The issues paper was also informed through observations made by the department in seeking to secure compliance with the Act.

Feedback on the issues paper helped to refine the identification of problems being experienced in residential parks and identify options to deliver improvements to the regulatory framework. Where appropriate, direct quotes from stakeholder groups have been provided to illustrate views. Direct quotes are not indicative of government's policy position unless otherwise indicated.

A copy of the issues paper can be downloaded from the department's website.

2.3 Review of dispute resolution in residential parks and retirement villages

In response to stakeholder concerns, commitments to identify improvements to dispute resolution arrangements and precontractual advice for people living in or buying in to residential parks or retirement villages were included in the *Queensland Housing and Homelessness Action Plan 2021-2025*.

The department has conducted research and analysed evidence about the dispute resolution system for residential parks and retirement villages, including:

- Consultation with consumer and industry groups and other stakeholders (including Queensland Law Society and Queensland Retirement Village and Park Advice Service).
- Reviewed case data from Queensland Retirement Village and Park Advice Service, QCAT and regulator files.
- Surveys and interviews with consumers and the managers or owners of residential parks and retirement villages (the DR survey).

Findings from this review process have been incorporated into this DIAS where appropriate. However, problem identification and options analysis for improving dispute resolution will be progressed as a separate regulatory impact assessment process with a focus on improving dispute resolution in residential parks and retirement villages. For this reason, this DIAS does not include consideration of options which directly seek to improve dispute resolution mechanisms in residential parks.

2.4 C-RIS

In May 2023, the department released a C-RIS to test policy options to change the *Manufactured Homes (Residential Parks) Act 2003* and confirm their impacts on home owners and park owners.

The C-RIS sought feedback on the proposed options and their impacts, issues in residential parks and their causes, as well as the objectives of the Act. Feedback was obtained through several avenues:

- Online feedback forms
- Written submissions
- Stakeholder workshops.

In total, 132 written submissions and 2,543 feedback forms were received. Home owners had varying views on the preferred reform options. Home owners tended not to engage with non-preferred options with the exception of a few longer submissions.

Home owners tended to support some form of site rent increase control. They were overwhelmingly in support of option 6 – prohibiting market rent reviews. This was due to concerns around the uncertainty, unpredictability and scale of the increases. The survey indicated many home owners recognised this option may have a negative impact on park owners. Most home owners supported option 4 (prescribed basis for rent increases). Home owners had mixed views with regard to option 7 (cap on rent increases), with a large number of home owners believing that the option would have a negative impact on home owners. The reason many home owners did not support option 4 (prescribed basis) or 7 (cap), was because they rely to an extent on CPI – which they were not in favour of. Some considered those reform options did not provide enough protection to home owners and should be strengthened, with many home owners indicating that any cap should be set at a lower level than the examples provided in the C-RIS.

There was generally support from home owners on the reform options that increased transparency over parks (option 2 and option 10). Most home owners supported the park comparison document. Some were unsure about its implementation and how it would be monitored. Many commented on declining standards of maintenance in their parks and supported options that would address this noting the lack of transparency around planned maintenance and capital replacement.

Home owners generally supported option 11 (buyback scheme) but noted that home sales were not currently an issue. Some were unsure of the potential impact on home owners and park owners. There were some questions around how the reform would work in practice, with concerns over increased disputes between the park owner and home owner over sale price, whether the buyback period was too long and the rent reduction too small, among others.

There may have been misconception among some home owners regarding certain reform options. For example, option 3 (to simplify the sales and assignment process) was perceived by some home owners as a way for park owners to increase rent. Views were therefore mixed on this option.

Industry groups and park owners largely opposed reform options which restricted the amount, methodology or flexibility of site rent increases, noting the potential effect of regulation on the supply of housing in Queensland. Industry groups also strongly opposed mandatory buyback provisions. These groups broadly advocated for reforms which improved existing processes and provided better resources to educate home owners on their obligations and the consequences of choosing to live in a residential park.

The department was involved in delivering eight stakeholder workshops across Queensland. Seven of these workshops were with manufactured home owners, held in various locations across Queensland from Monday 19 June to Tuesday 27 June 2023.

Table 5. Location and date of home owner workshops

Date	Location	Number of attendees (approx.)
Monday 19 June	Cairns	18
Tuesday 20 June	Gold Coast	36
Wednesday 21 June	Sunshine Coast	50
Thursday 22 June	Maryborough	23
Friday 23 June	Toowoomba	20
Monday 26 June	Logan	41
Tuesday 27 June	Caboolture	38

One industry workshop was held in Brisbane on 20 June and was attended by approximately 19 representatives of park owners, real estate peak bodies and consumer and legal representatives.

The workshops examined market dynamics, options for reform, and the impact these could have on the market. The home owner workshops were structured to facilitate small group discussion, allowing all participants to voice their views. Notes were taken during these discussions to ensure capture of all pertinent feedback.

See chapter 9 for more details on stakeholder feedback and how this was considered in developing a revised policy position for this DIAS.

Chapter 3: Problem definition

3.1 Overview

As a result of home owner feedback, two priority areas for improvement were identified in the *Queensland Housing and Homelessness Action Plan 2021-2025* (Action Plan). The Action Plan commits the Government to '*deliver improvements for residential (manufactured home) parks… to address concerns about site rent increases and unsold homes in residential parks*'.

After analysis of responses to the 2022 issues paper and survey data, and research on the residential park industry, these priorities have been refined to address two key problems affecting some home owners:

- Unsustainable and unpredictable site rent increases
- Potential delays in sale resulting in barriers to exiting the park

Of these two problems, site rent increases are having the greatest current impact on home owners, particularly within an environment of high inflation. However, delays in sale have the potential to negatively impact home owners once the market slows. Problems with site rent increases and sales are related because delays and other problems in the sale process create a barrier for a dissatisfied home owner to leave the park, removing an incentive for park owners to act competitively in the site rent increase process. Further, the effectiveness of the assignment process during sales can impact on rent increases for both new and existing home owners and contributes significantly to the overall rent setting framework of a residential park.

3.1.1 Summary of causes contributing to the problems

There are a range of factors or causes which contribute to the problems affecting manufactured home owners, as well as negative community perceptions of the residential park industry and how it is regulated under the Act (see chapter 2.1.5 for measures of consumer confidence). These causes are described in Table 3 below.

Table 6. Key causes of problems affecting manufactured home owners

Problems when entering the residential park

Description	Contributes to primary problems	Impact
Cause 1: Consumers have difficulty making informed choices when entering a park	• Site rent increases • Unsold homes	High
Cause 2: Complexities and inefficiencies with the assignment of site agreements in the sales process	• Site rent increases • Unsold homes	Moderate

Problems while living in the park

Description	Contributes to primary problems	Impact
Cause 3: Fairness and equity issues associated with site rent increases	• Site rent increases	Very high
Cause 4: Imbalances in market power between home owners and park owners	• Site rent increases	High

Problems when leaving the park

Description	Contributes to primary problems	Impact
Cause 5: Park owners have limited incentives to sell pre-owned manufactured homes	• Site rent increases • Unsold homes	Moderate
Cause 6: Manufactured home owners are unable to easily exit the park when conditions change	• Site rent increases • Unsold homes	High

3.1.2 The consumer journey model for identifying the key problems and causes

The relationship between these causal factors is complex and plays out across the consumer journey from entering the park, living in the park and leaving the park.

Base site rent and the way it can increase is set when a home owner moves into their residential park, and decisions at this point (when home owners have the least knowledge about residential parks) have long-lasting consequences.

The market rent review process allows site rents to be aligned to market levels, meaning site rents agreed by new home owners or set in other parks, impact the rent levels of existing home owners within a park. This, combined with limited mechanisms for site rent to decrease and no requirement for disclosing how site rent income is used, creates persistent upwards pressure on site rent, and leaves many home owners questioning whether they are receiving value for their money.

Home owners who are then heavily invested in their homes within the park experience barriers to exit, reducing the incentive for park owners to act competitively and offer good value. In this sense, the purchase and sale process and the process of increasing site rent are closely linked in terms of their total impact on a home owner's rights, obligations and the value for money they get for living in a residential park.

The problems and their causes are further detailed below.

3.2 Key Issue 1: Unsustainable and unpredictable site rent increases

3.2.1 Issue summary

Manufactured home owners and representative groups frequently voice concern about the declining affordability of residential park living. Some home owners have found that rent increases are higher than what they anticipated and budgeted for upon moving into a residential park, in turn impacting their ability to meet other essential living expenses.

The analysis of the survey data and other evidence supports these perceptions that under many site rent increase bases that are commonly used, site rent has become less affordable over time. The impact of this on home owners will vary depending on their income level and income source, whether they have, at entry, budgeted appropriately for increases and the specific rate at which the increases occur.

The survey data suggests that a large group of home owners (possibly a majority) are reliant on the age pension and have low incomes. Historically, site rent has grown at a faster pace than the age pension, and future rates of growth on many of the common bases used in agreements will continue this trend with the gap between income and site rents costs widening over time.

Unpredictable and unsustainable site rent increases present risks to the housing security of home owners as they have limited capacity to increase their income in retirement, a desire to age in place, and few options to move once they have invested in their manufactured home. They may also face increasing costs associated with age and declining health.

The extent of site rent increases experienced by home owners varies with the bases for increases allowed in their site agreement, with market rent review increases being less predictable and more volatile than other increase bases.

Residential parks cater to seniors of various socioeconomic circumstances, with some parks seeking to offer affordable accommodation and others offer a retirement lifestyle experience. Park owners are able to set site rent at a level they think is appropriate and competitive for the product being offered, and home owners need to make a choice about whether the ongoing cost of site rent is within their budget.

While the amount of site rent a home owner pays and the way that it can increase is essentially a private contractual arrangement between a home owner and a park owner, the Act seeks to protect consumers from unfair business practices, ensure processes for setting rents are fair, and to ensure that consumers have information to make an informed decision about living in a residential park. The timing, processes and bases used for increases should be clear and able to be understood by an average home owner. Future site rent increases should have some degree of predictability, to enable a purchaser to quantify the likely amount and factor the ongoing and long-term costs into their budget.

Arguably, fairness also requires that once site rent and the profit component for the park owner is agreed to by a home owner who has purchased a manufactured home in the park, the relative level of that site rent (including the profit component) should be maintained over time, with increases in rent being reasonably aligned to actual increases in the cost of operating and maintaining a park. Formulas for site rent increases which are likely to result in declining affordability over time should not be allowed without being explicitly evident to home owners at the point of purchase.

Given the significant cost of entry, and the substantial barriers to exit, and the relative vulnerability of the cohort, home owners should expect high levels of housing security for their investment. However, this is undermined when the cost of site rent becomes unsustainable over time due to external circumstances which home owners can neither control nor reasonably predict.

This section looks at the evidence about the incidence (who is affected) and magnitude (the extent to which they are affected) of the problem of unsustainable and unpredictable rent increases to determine if there is a case for regulatory intervention. It considers evidence concerning:

- Affordability pressures being experienced by home owners
- Current levels of site rent in Queensland
- Income levels and sources of income for home owners
- The likelihood and extent of affordability stress in the market
- Bases used for site rent increases under site agreements
- Recent and historical trends in site rent increases including the variability between different bases
- Potential increases over the next 10 years

Subsequent sections will consider the causal factors contributing to this issue and which must be addressed by the options.

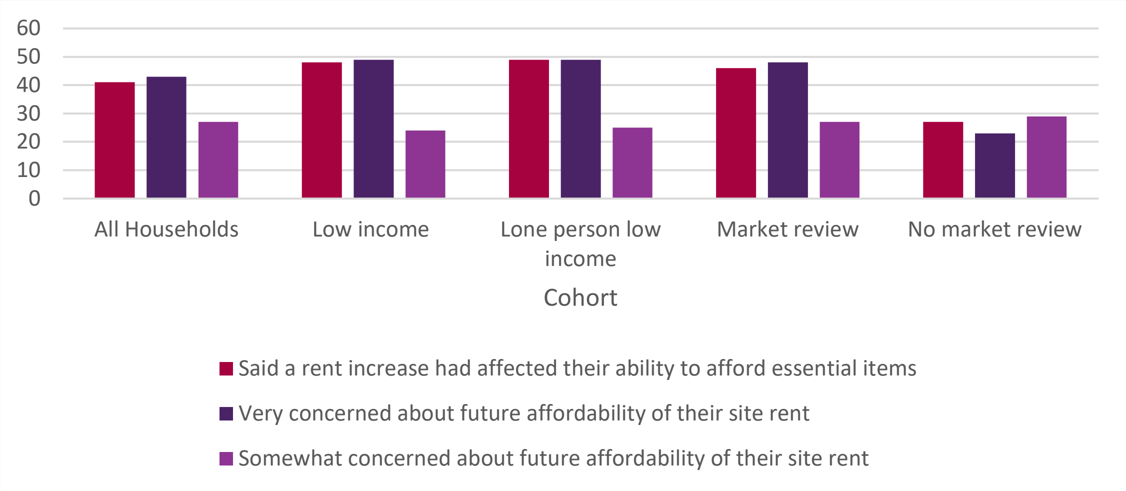
3.2.2 Evidence of affordability pressures on home owners

In the 2022 survey, the affordability of site rent was rated as the main aspect of living in a residential park that respondents disliked.

Forty-one per cent of respondents to the survey said that a site rent increase in their residential park had affected their ability to afford other essential items such as groceries, utilities, transport, medical care or insurance, while 43% said they were very concerned and 27% somewhat concerned their site rent may become unaffordable in the future.

As shown in the below figure, the level of expressed concern about affordability is higher for specific cohorts of home owners, for example, those on low incomes; low-income lone person households; and those with market rent reviews. Compared to all households, those on a low income and those living alone are more likely to say that a rent increase had affected their ability to afford essential items and be concerned that living in their park could become unaffordable. Notably, home owners who do not have market reviews expressed much lower levels of concern about affordability.

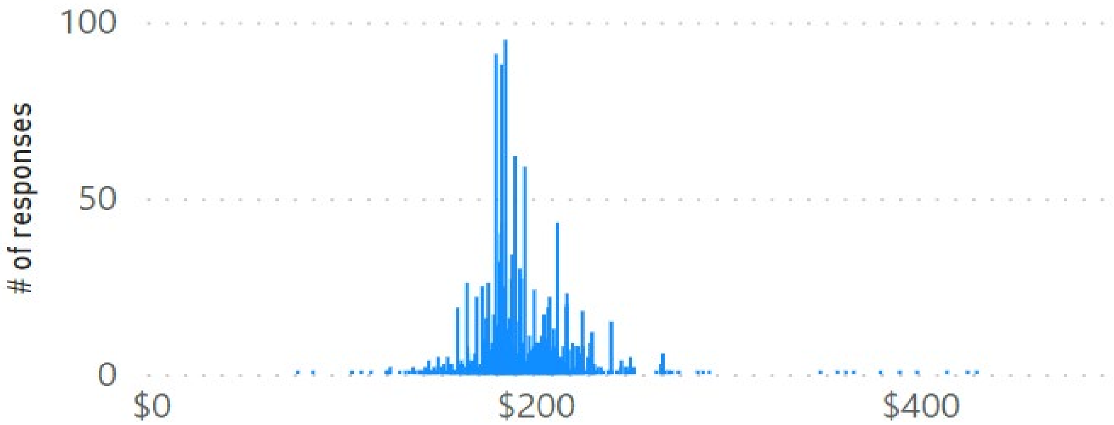
Figure 2. Proportion of survey respondents (by cohort type) expressing concern about affordability



3.2.3 Current levels of site rents in Queensland

The 2022 survey identifies that the median site rent paid by manufactured home owners in Queensland at the time of the survey was $188 per week ($376 per fortnight), with a range of $77 per week to $430 per week ($144 – $860 per fortnight[15]).

Figure 3. Range and distribution of weekly site rent charges



Where site rent also include utilities, the median site rent was higher at $193 ($386 per fortnight). Approximately 24% of respondents had utilities factored into their site rent, while 72% did not.

The median site rent in mixed-use residential parks was only slightly lower than in purpose-built parks ($185 per week or $370 per fortnight compared to $189 per week or $378 per fortnight).

The survey data also revealed geographic variation in site rents, with the Gold Coast having the highest median site rent at $218 per week, followed by Brisbane at $215, Bundaberg at $207, Moreton Bay at $204 and Fraser Coast at $198.[16]

[15] Outer range may include incorrect data that could not be corrected with sufficient confidence.
16 Only LGAs with 20 or more survey responses were considered.

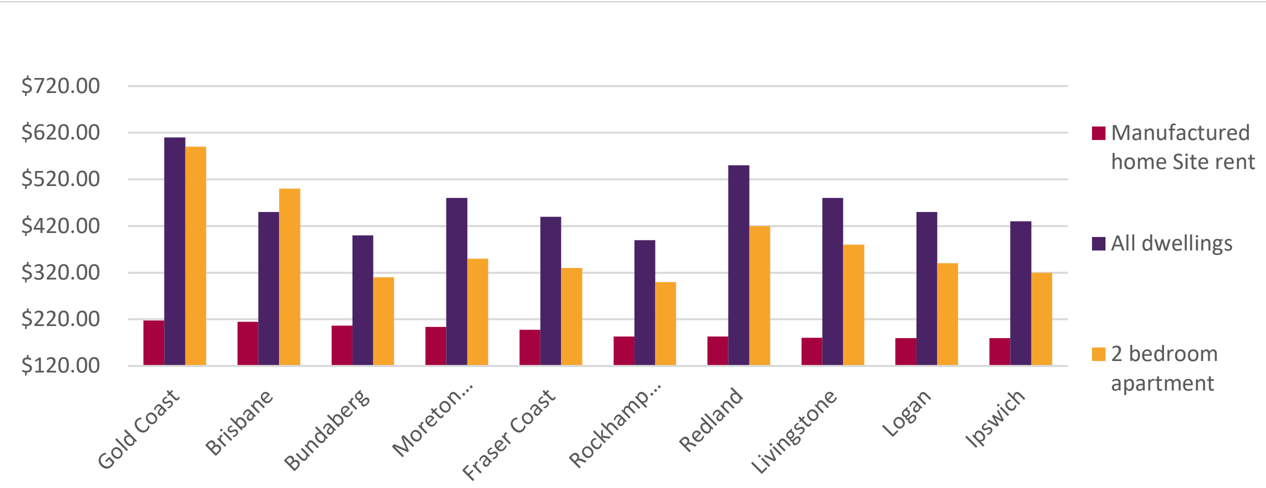
3.2.4 Site rent compared to similar accommodation options

Benchmarking the relative affordability of residential park site rent within the context of the broader housing market is difficult given the unique tenure and rights involved in manufactured home ownership.

Median residential park site rents are much lower than the median rent for private rental accommodation within the same LGA (see the below figure). However, this is expected and is reasonable given a manufactured home owner has made a significant upfront capital investment in the home and is only paying for the lease of the land and the use and upkeep of shared facilities. Also, unlike tenants in the broader rental market, manufactured home owners are generally required to pay for all maintenance and repairs on the home.

Other potential comparisons include body corporates in a community titles scheme, where lot owners agree on a levy schedule based on body corporate expenses, or retirement villages which levy general service charges on a cost recovery basis with increases generally limited to CPI (with limited specified exemptions). These markets are more comparable in the sense that they involve an on-going cost for maintaining the services and facilities related to a large upfront investment. However, in the case of body corporates, lot owners collectively own the land, decide on their levies, and are not operating for profit. In retirement villages, limiting charges is consistent with the fact that operator profits are derived from sizeable exit fees.

Figure 4. Comparison of median weekly site rent by LGA[17]



3.2.5 Income levels and sources of income for home owners

While there is no accurate categorisation of residential park tenure in the Australian Bureau of Statistics Census to reliably establish the income of manufactured home owners, the data obtained in the 2022 survey suggests that more than half of home owners would be categorised as having a low income. Over 55% of survey respondents reported an income of less than $40,000 per annum, with the median annual gross household income of all respondents estimated at $36,500[18] (approximately $1,403 per fortnight).

[17] Median rental data from September 2022 quarterly figures published by the Residential Tenancy Authority, available at https://www.rta.qld.gov.au/forms-resources/median-rents-quick-finder/median-rents-quarterly-data. Manufactured home site rent from 2022 survey.
[18] Calculated from reported income brackets using a midpoint coding methodology.

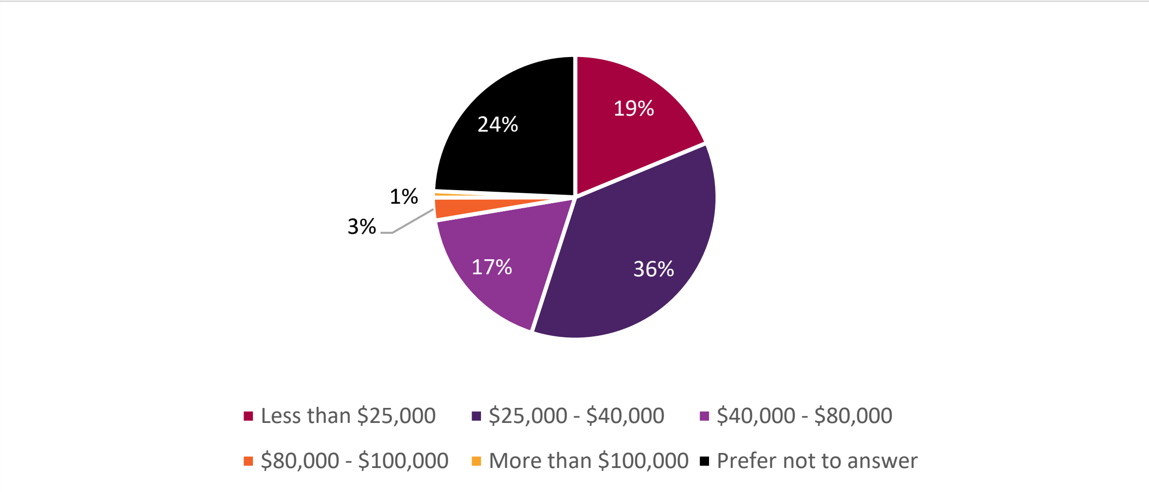
By way of comparison, in 2021 the median fortnightly income in Queensland was $1,574 for individuals and $4,048 for families and $3,350 for households[19].

The survey findings are consistent with independent research on the number of Commonwealth Rent Assistance (CRA) recipients living in residential parks. CRA is a non-taxable income supplement. It is available to pensioners and other persons who rent in the private rental market and meet eligibility criteria. Several manufactured home owners qualify for CRA and receive these payments. In 2019, the number of households receiving CRA in Queensland's residential parks was 11,375, or almost half of the number of manufactured home sites, suggesting that at least 50% of all sites are occupied by low-income households[20]. CRA payments reduce the impact of rent increases and improve affordability for recipients.

A further 17% of 2022 survey respondents reported income between $40 – 80,000 per annum, and less than 4% of respondents reported having an annual income over $80,000.

Notably, of the 25% of respondents who preferred not to identify their income range, over 70% listed a full or part age pension as an income source, suggesting the majority of this group are also on low to moderate incomes.

Figure 5. 2022 survey home owner income



Approximately 53.6% of responding home owners received a full age pension as a source of income, with another 24.4% of home owners receiving part age pension and 18% receiving some other form of government payment (96% combined total). Of these households in receipt of a government pension or other payment, 61% were on incomes under $40,000 per annum.

Only 5.5% of home owners had employment as a source of income.

3.2.6 Calculating housing stress for home owners

A common measure of housing affordability is the ratio of housing costs (for example rent payments or mortgage payments) to gross household income. Low-income households are

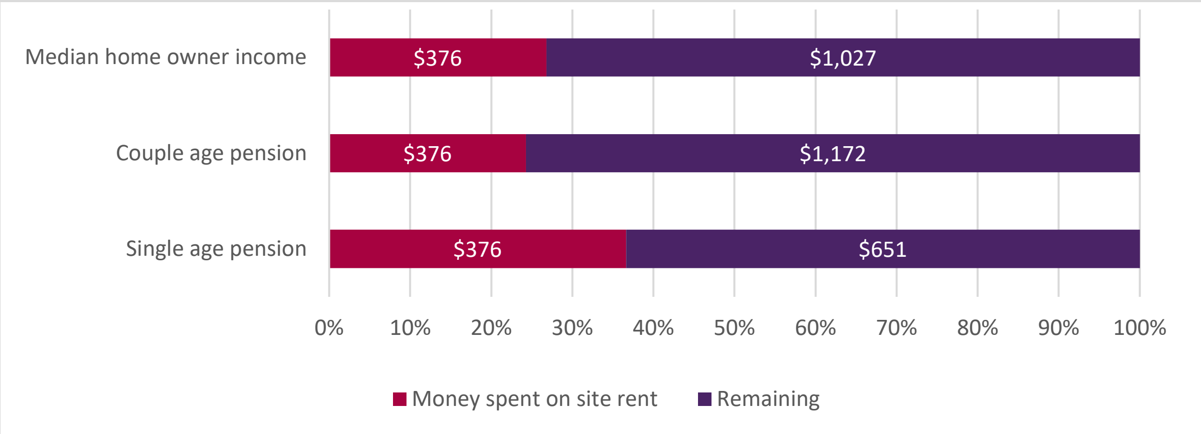
[19] Australian Bureau of Statistics https://www.abs.gov.au/articles/snapshot-qld-2021
[20] Lois Towart and Kristian Ruming (2022), Manufactured home estates as affordable retirement housing in Australia: drivers, growth and spatial distribution. Australian Geographer, Vol 53, No 2, 149-166.

typically described as experiencing 'housing stress' where they spend more than 30% of gross income on housing costs[21].

Data limitations make it difficult to produce an accurate estimate of the rate of housing stress amongst low-income manufactured home owners. However, it is possible to identify cohorts of home owners that may be at risk.

Assuming home owners are paying the median site rent of $188 per week, the likely proportion of income spent on site rent can be estimated for income groups. For example, as demonstrated in the below figure, a person on a single age pension would be spending 36% of their income, a couple on a full age pension 24%, and a household with the median survey income would be spending 29% of their income on site rent. [22]

Figure 6. Proportion of income spent on median fortnightly site rent



Site rents are higher in some locations, for example the Gold Coast, where median rent is $434 per fortnight. In this scenario, the proportion of income spent on site rent becomes:

- Single age pension: 41%
- Couple age pension: 28%
- Household with median survey income: 34%

This analysis suggests manufactured home owners on low incomes, and those living alone on a full age pension are the most likely to be experiencing affordability stress.

Of the 55% of survey respondents who would be classified as low-income, and based on actual rents paid, it is conservatively estimated that 22% are in housing stress.[23]

In the 2022 survey, lone person households made up approximately 36.6% of all households, with 78% of these being single women and 63% having incomes under $40,000 per annum. In the 2022 survey, 318 single person households reported receiving the full age pension and no other source of income. Looking at their actual rents rather than the median, 296 (or 93.1%) were paying more than 30% of their income on site rent. By contrast only 6 (or 2.0%) of the 303 respondents in couple households who reported receiving only the full age pension were paying more than 30% of their income on site rent.

[21] Australian Institute of Health and Welfare (2021) Housing Affordability https://www.aihw.gov.au/reports/australias-welfare/housing-affordability
[22] The maximum base rate for a full age pension recipient is $1,026.50 per fortnight / $26,689 per annum for a single person, or $1,547.60 per fortnight / $40,238 per annum for a couple. Does not include pension supplement, energy supplement, or rent assistance for a median priced manufactured home.
[23] Income assumed to be the midpoint of the income band i.e., $36,500 pa

There are currently high levels of housing stress in the community. At the last Census in 2021, 32.3% of renter households and 11.9% of home owners in Queensland had housing costs greater than 30% of household income[24]. When considering low-income households only, in 2019-20, 44.9% of lower income rental households in Queensland were paying more than 30% of their income on housing costs.[25] The comparable rate for low-income home owners is only available at 2016 when 49% of low-income home owners were paying more than 30% in housing costs[26]. Rates of housing stress for households receiving an age pension and receiving CRA were approximately 40% at June 2021[27].

Again, comparisons are problematic given the unique circumstances of manufactured home owners living in residential parks. Unlike a private renter, a home owner is responsible for all expenses related to the upkeep of their home, including repairs, maintenance, refurbishment and other expenses such as insurance. Further, given the significant capital outlay on the purchase of the home, they might expect a high degree of security of tenure. Comparisons with home owners may be more appropriate, however it should be noted that in the analysis of housing stress for manufactured home owners above, costs other than site rent are not considered when calculating housing costs, as occurs when calculating rates of housing stress for home owners.

3.2.7 Bases for site rent increase

The Act does not prescribe any particular basis that must be used when determining how site rent may increase in a residential park. This is left as a matter of contract between parties to the site agreement.

The 2022 survey identified the following methods of site rent increases:

Table 7. Site rent bases for 2022 survey respondents

Site rent increase basis	Percentage of site agreements which included this basis
CPI only	7%
CPI + market review	30%
CPI + X (no market review)	2%
CPI + X + market review	22%
CPI but unclear whether other metric or market review	15%
Fixed percentage	3%
Fixed percentage + market review	1%
CPI or fixed percentage whichever is greater (may or may not include market rent review component)	1%
Information not provided or was unclear	19%

[24] ABS 2021 Census All Persons QuickStats

[25] Survey of Income and Housing, Housing Occupancy and Costs, ABS 2019-20

[26] QGSO, using 2016 ABS Census

[27] AIHW Housing Assistance in Australia 2022 Financial Assistance Table CRA.8

It can broadly be concluded a typical site agreement will include either annual CPI or CPI plus another factor with most site agreements (approximately 76%) including a market rent review every third year (common) or fifth year (uncommon).

The survey evidence suggests that it is very rare for market reviews to be included in a site agreement without an alternative basis for increasing site in the intervening years.

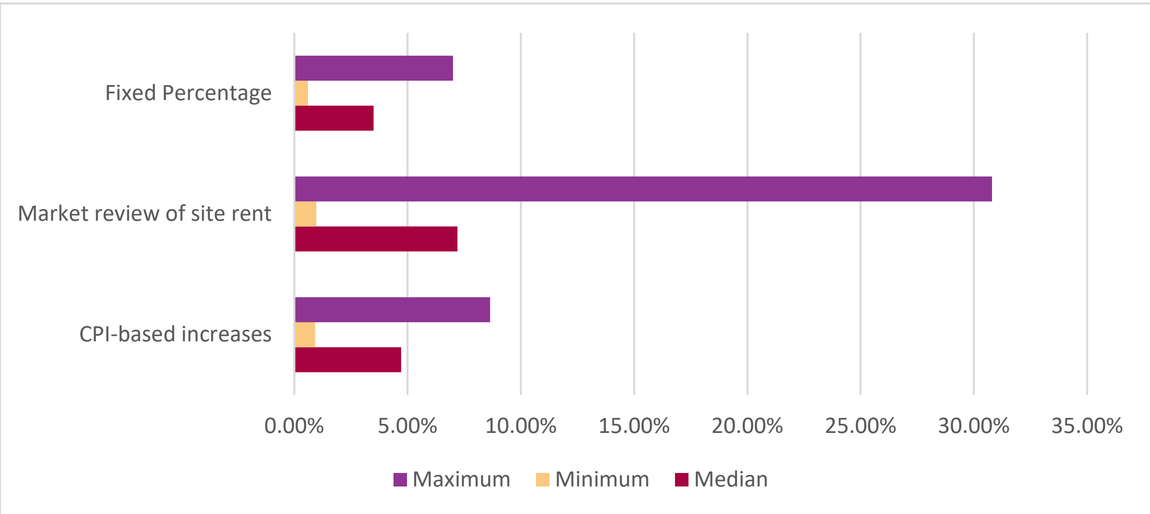
3.2.8 Bases for, and variability of, site rent increases

The 2022 home owner survey asked home owners what their site rent was before their last increase, and how much their weekly site rent was increased.

The survey results show considerable variability between bases used, and also within each basis. In relation to CPI based increases, variations are likely explained by different CPI measures being used, the timing of the increase, and whether or not an additional component is included with CPI as the basis. The median increase in site rent as well as the minimum and the maximum (excluding outliers) are compared in the graph below.

The median of the most recently experienced site rent increase based on CPI (including agreements that allowed another component with CPI at the same time) was 4.3% (CPI plus a fixed percentage was 5.25% and CPI alone was 4%), while the median market review and fixed rate increases were 7.2% and 3.5% respectively.

Figure 7. Range of site rent increases by basis



This data suggests market rent reviews result in larger increases for home owners on average (but they occur less frequently), and that the potential range of increases arising out of market reviews are wider than other bases used.

Of concern are the small proportion of survey respondents reporting increases of 20%-30% from market reviews. This points to the high degree of unpredictability in the outcomes of a market review, which may be due to factors both internal and external to the residential park.

It is not surprising therefore that market rent reviews have been the main focus of home owner concerns in relation to site rent increases, with home owner groups arguing that market reviews are inappropriate given the limited nature of the 'market' and the fact that home owners already pay a market price when they purchase their manufactured home.

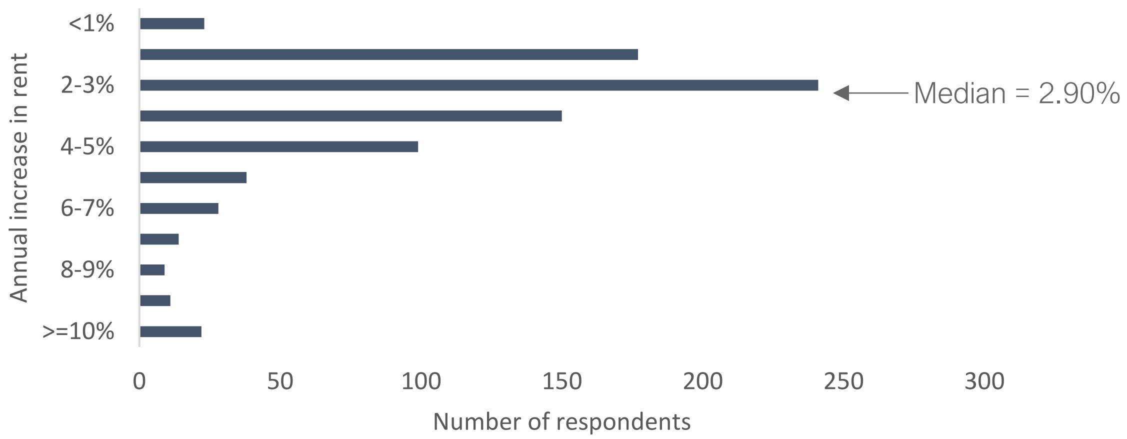
3.2.9 Historical trends in site rent increases

Survey respondents' recent experience of site rent increases appear to be higher across the board than historical trends. This is to be expected given inflation and other unique factors affecting the Australian economy in the last two years.

To understand the long-term historical growth in site rent across the market, respondents to the 2022 survey were asked to specify both their weekly site rent on entry to the park and their current weekly site rent. From these figures and the information about the length of time respondents had lived in the park, it was possible to derive an estimate of the median Compound Annual Growth Rate (CAGR) in site rent experienced by home owners. The rate for all home owners across all time periods is 3.06%. However, many respondents had lived in the park for 10 or more years (and some over 20 years), and this rate might not be reflective of more recent trends in site rent growth. The CAGR for respondents who have lived in a park between 1 and 5 years was calculated at 2.9%. This figure and time period has been used in the DIAS as the base case for the market when analysing the potential impact of options.

Individual home owner experiences will differ depending on the basis used for increases under their agreement, and whether they are at the upper or lower end of the range of increases for that basis. For example, the median 5-year CAGR for home owners who have a periodic market review is higher at 2.99% and lower for those who have CPI only at 2.87%. Some home owners have been subject to significantly higher rates of increase over this same period, as demonstrated in the below figure.

Figure 8. Number of respondents by annual increase in rent over the last 5 years



This 5-year median rate, while capturing survey respondents' most recent site rent increases, may not fully account for the relatively high rates of increase in site rent in the previous 18 months. In the 12 months to the December 2022 quarter, CPI rose 7.8%. As the 2022 survey asked home owners about their most recent rent increases, which in many cases may have been several months earlier than the survey release date when CPI was lower, it is likely that the impact of CPI-based increases is understated in the survey data.

3.2.10 Projecting future site rent increases: the impact of different bases

Having considered both recent site rent increases and historical trends in site rent increases, this section considers the potential cumulative effect of site rent increases over the next 10 year period. Using different site rent bases, a range of hypothetical scenarios are modelled and compared to the projected growth in pension income based on the growth rates of the previous 10 years. This includes a scenario where site rent increases are maintained at the current median compound rate across the market (2.9%), a scenario based on historical CPI growth (2.87%), and a variety of other scenarios using common bases where increases occur at the median rate most recently experienced by home owners. The cumulative impact of different site rent increase bases from the same starting rent[28] is demonstrated in Table 5 and the below figure.

Scenarios that use data from the most recently experienced rent increase may result in an overestimate of future increases as recent CPI and market increases have been significantly higher than the median historical 5-year growth rate. Conversely, the projections based on historical trends may underestimate increases should inflation remain high for a prolonged period.

Table 8. Hypothetical modelling on the cumulative impact of site rent increase bases over time

Measure	Average CPI-only (2.87%)	Average CPI (@ 2.87%) + triennial market review[29]	CPI+X (@ 4.2%) [30]	CPI+X and triennial market review[31]	Median fixed percentage increase (3.5%)[32]	Median fixed percentage and triennial market review	Market CAGR 2017-2022 (2.9%)
Base weekly site rent	$188	$188	$188	$188	$188	$188	$188
Weekly site rent after 10 years	$249	$282	$286	$311	$265	$295	$250
Total Increase	$61	$94	$98	$123	$77	$107	$62
Compounded per cent increase over 10 years	33%	50%	52%	65%	41%	57%	33%

As the examples demonstrate, small variations in the terms of a site agreement can have significant impacts on the long-term affordability of site rent for a home owner, and the extent to which site rent outpaces income growth. Even at the median CAGR of 2.90% (one of the lower increase scenarios), home owners who rely on the age pension will experience a contraction in available funds which will contribute to declining housing affordability for these home owners over time.

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[28] Base rate set as the median home owner site rent from the 2022 survey of $188 per week.
[29] Median CPI increase over the past 5 years, and market review as per above.
[30] Based on median CPI+X% increases in site rent from 2022 survey.
[31] Median market review based on amount of last market review reported by home owners in 2022 survey and may not be indicative of longer-term market trends.
[32] Median fixed per cent increase from 2022 survey used as indicative of most common fixed percentage increase basis.

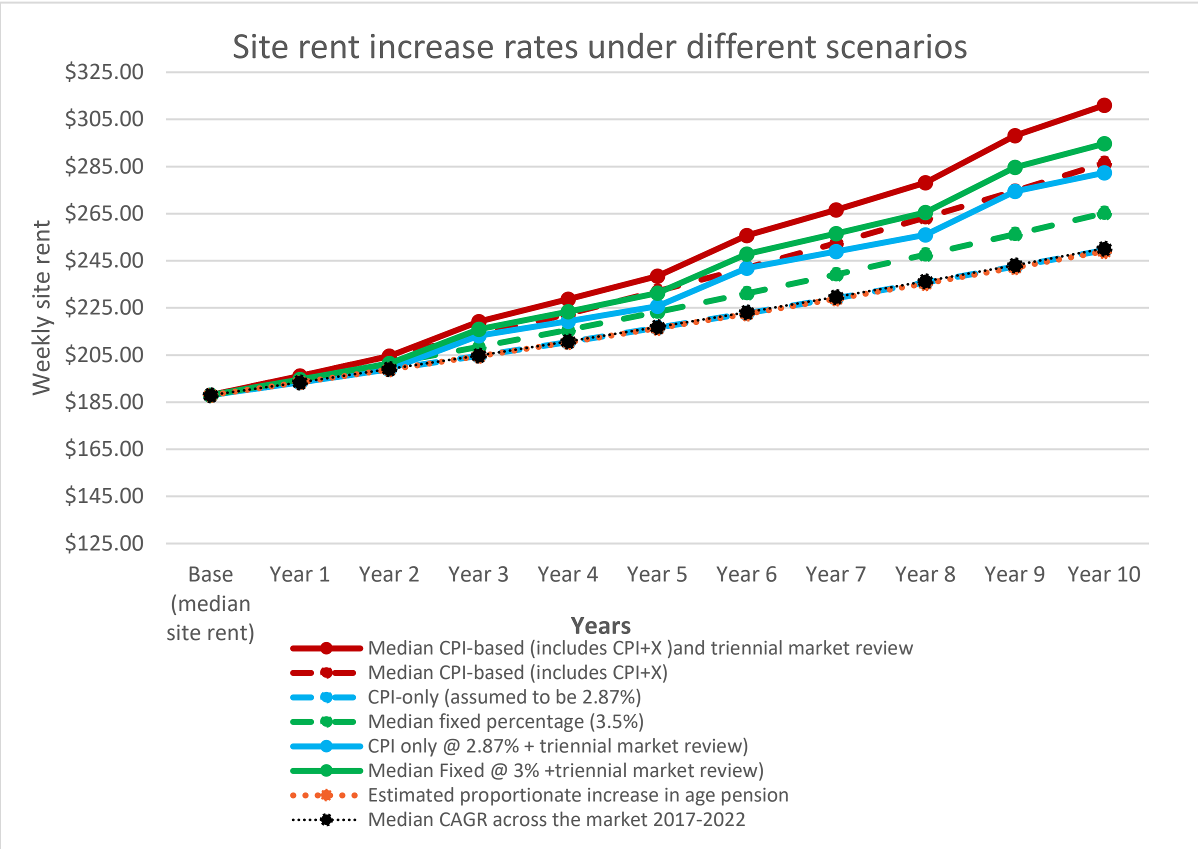
The age pension is indexed twice yearly against measures including the Consumer Price Index (CPI), the Pensioner and Beneficiary Living Cost Index (PBLCI) and a percentage of the Male Total Average Weekly Earnings (MTAWE).

Between September 2017 and September 2022, the maximum base rate for the single age pension (not including rent assistance and supplements) increased from $21,164 to $24,356[33] which equals an increase of 15%, or a CAGR of 2.85%.

During periods of high inflation, home owners on the age pension who receive large CPI-based increases should also receive commensurate increases in their age pension. The greater the extent to which a home owner's site rent is above CPI, the greater the rate at which housing affordability is likely to decline.

Only a relatively small proportion of site agreements include CPI-only increases. A large percentage of site agreements include CPI+ a fixed per cent annually, CPI and a market review every 3/5 years or CPI + a fixed percentage or another component and a market review every 3/5 years. The modelling suggests that increase bases such as these are likely to result in rent growth outpacing home owner income growth, resulting in declining housing affordability and increasing rates of housing stress for many home owners.

Figure 9. Cumulative weekly site rent increase modelling different hypothetical scenarios



33 https://guides.dss.gov.au/social-security-guide/5/2/2/10

3.2.10 Conclusions

For a large proportion of home owners, site rents appear to be increasing at a rate which is faster than the increase in the age pension. Depending on the basis specified in their site agreement, the gap between site rent growth and income may be marginal, or it could be considerable. Given the relatively low incomes of home owners, even small differences in the rate of growth can have a significant impact. Affected home owners are likely to experience a decline in housing affordability over time, and the proportion of home owners experiencing rental stress is likely to increase. This is largely consistent with the broader housing market, where housing affordability is increasingly an issue for many households due to a range of factors including the demand for housing exceeding available supply.

The age of home owners and their vulnerabilities, as well as the limited capacity for home owners to increase their income (or relocate if rent becomes unaffordable), exacerbates these problems and makes the rising cost of site rent a risk to the sustainability and security of housing for manufactured home owners.

The impact of increasing site rent on a home owner's housing security will depend on the extent to which the home owner factored in a buffer in anticipation of these increases. Before entering a residential park, home owners may have some capital (typically from sale of a home), some of which could be retained to cover rising expenses (where those increases in expenses can be reasonably anticipated) by buying into a park at a lower price point. For this reason, increases in site rent that are unpredictable present the greatest problem.

Solutions to ensure that home owners can easily understand the likely future costs of site rent and the impact on their budget are needed to ensure consumers can make good decisions about their retirement living options, to manage the risks of housing insecurity or homelessness for vulnerable ageing consumers, and to prevent declining confidence in residential parks.

3.3 Key Issue 2: Potential for delays in sale resulting in barriers to exiting the park

3.3.1 Issue summary

Delays in the sale of manufactured homes, when they occur, are a significant problem for home owners as selling the home on site is the only way for a home owner to leave a residential park given that relocating the home is impractical and expensive.

Delayed sales can occur due to the complexity of the process outlined in the regulatory framework and misaligned incentives between park owners and sellers. However, the likelihood and extent of delays is affected by market conditions and other factors such as the asking price and condition of the home. In circumstances of high housing demand and limited supply, delays are not as common. The evidence suggests that the average time to sell a manufactured home has improved considerably since 2013. However, it is important to recognise that the causal factors for delays have not changed so delays are a latent problem expected to re-emerge in less favourable market conditions.

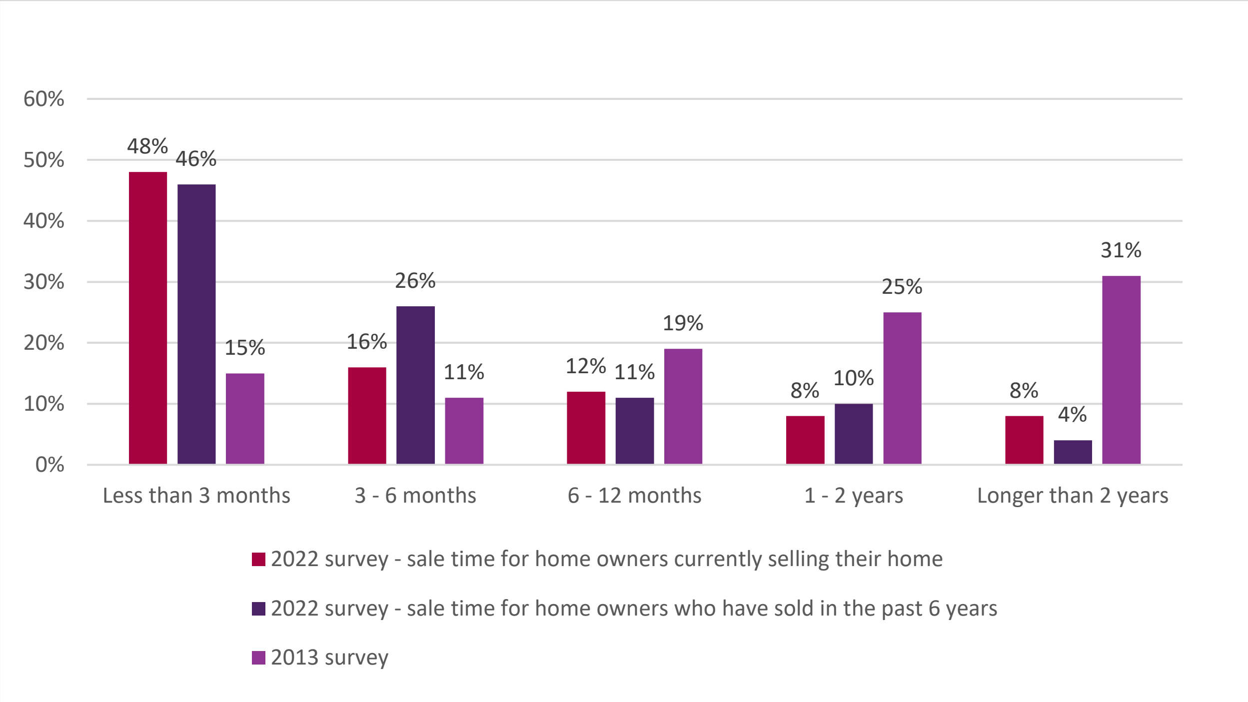
Home owners who can no longer live in their manufactured home, for example because they need to move into aged care, are most impacted by delays in sale as they must continue to pay site rent while paying for aged care or other accommodation. These home owners are also unable to access their capital which makes it unlikely that they could afford to pay an aged care Refundable Accommodation Deposit (RAD) or use this capital to invest in another form of accommodation. This can have impacts on a home owner's finances, their health and their quality of life.

3.3.2 Time to sell a manufactured home impacted by market conditions

In the 2013 survey of home owners, lengthy delays on the sale of homes were a significant issue, with 31% of respondents trying to sell their home for two or more years, and some taking up to six years to sell.

In the 2022 survey, the average time to sell a home was substantially lower with a large proportion of homes selling in less than 3 months. The results of the 2013 and 2022 surveys are compared in the graph below.

Figure 10. Comparison of time to sell a manufactured home from 2013 and 2022 surveys



Industry submissions to the issues paper pointed out that market conditions were producing sale times that were much lower than those cited in the issues paper (which relied on the 2013 survey data). They also point out that the achievement of a timely sale, as in the broader market, may be determined by factors including the price set by the seller, and the presentation of the home. Various submitters provided average sale times, which ranged from 30 - 56 days.

Submitters also noted that a proportion of the sale time for manufactured homes in the current market is because of the 21-day precontractual disclosure process in the Act.

3.3.3 Extent and types of difficulty experienced by home owners selling their homes

In the 2022 survey, home owners who were selling a manufactured home were asked whether they had experienced any difficulty selling their home. Out of a total of 138 respondents to this question, approximately 28% of respondents indicated they had had difficulty compared to 70% who had not experienced difficulty.

Respondents who had difficulty selling their home were asked what difficulties they experienced. Of the respondents who answered this question, 49% indicated they had difficulty with the park owner or selling agent, 36% indicated they had difficulty finding a buyer, and 15% expressed having difficulty for other reasons.

Qualitative responses provided further information about the difficulties experienced, which included:

- A lack of advertising of the home by the seller
- Management prioritising the sale of new homes over pre-owned homes
- A capital loss on the sale of their home
- A lack of training, proficiency or expertise in sales by the park owner
- Prohibitions on erecting 'for sale' signs to market the home
- Problems selling due to issues with the amenity or appearance of the park.

3.3.4 The potential impact of delayed sales

Long delays in the sale of a home can have significant financial impacts for home owners, particularly where home owners are unable to live in their home while it is for sale. In addition to the lack of access to capital tied up in the home, the obligation to pay site rent continues (because their home remains sited in the park) even though they are not living in the home or able to rent it out under the terms of their site agreement. On the current median site rent of $188 per week, this amounts to $9,776 over a year.

Where home owners are required to move into aged care, delayed access to their capital may prevent them from paying a Refundable Accommodation Deposit (RAD). Instead, they may need to pay the Daily Accommodation Payment (DAP) for their aged care in addition to the ongoing site rent. For home owners who can live in their home while it is on the market, a delayed sale may not be as significant financially. However, the feeling of being financially trapped in a park that no longer suits their needs will likely be a problem for some.

In the ***Queensland Retirement Village and Park Advice Service*** submission to the issues paper, delays in the sale of homes were identified as a priority issue to be resolved, stating:

> *"Delays in sale of manufactured homes can have a significant impact on home owners (and their family members) who need to leave the park quickly due to changes in care needs or because they are experiencing bullying and harassment. An inability to access the equity in their homes and the obligation to continue paying site rent can negatively impact their right to an adequate standard of living and their access to appropriate health care. This issue should be prioritised and could potentially be addressed by measures such as those implemented in retirement villages such as buy-back guarantees."*

3.3.5 What is the magnitude/severity of the issue and is regulatory intervention justified?

It is difficult to determine the current magnitude of delays in sales by manufactured home owners due to limitations in data available on manufactured home sales. Very few former home owners responded to the 2022 survey. Existing home owners who were currently selling their manufactured home were approximately 1% of total responses, compared to an estimated turnover rate of approximately 5% of homes per year. Approximately 6.3% of respondents report selling a manufactured home in the past. However, this data has limited value in identifying historical trends as the survey did not collect specific data on when those sales occurred.

Based on this small sample, delays in sales appear to be less of a widespread problem for manufactured home owners currently compared to 2013. For the 4% to 8% of home owners whose homes are taking greater than two years to sell, the consequences of those delays can still be significant, particularly for the most vulnerable home owners who can no longer live in their home due to ageing or other support needs.

In considering whether regulatory intervention is justified, it is also important to note that supply and demand will vary over time. However, the Act must ensure the balance of rights and consumer protections in the Act is appropriate, including in less favourable market conditions, such as those experienced by home owners in 2013.

Significant growth in the Queensland residential park market is expected over the next 10 years. This increase in supply, combined with declining consumer sentiment and media coverage of excessive rent increases could contribute to an increase in sale times in the absence of reforms.

Causal factors – on entering a residential park

The terms of a home owner's site agreement are set at the point of entry, and flow into the home owner's experience of living in the park.

3.4 Cause 1: Consumers have difficulty making informed choices

3.4.1 The importance of informed decision-making during entry into the park

Terms about the amount of site rent and how it can increase, are agreed by home owners when they purchase their home and enter into (or agree to be assigned) a site agreement.

A home owner who agrees to terms which are unsustainable for their long-term tenure in their home is likely to experience declining housing affordability and is unlikely to have any recourse where a rent increase happens in accordance with their site agreement.

For this reason, it is essential that a home owner receives appropriate advice and makes an informed decision when they purchase a manufactured home and enter into a site agreement.

However, despite the long-term consequences of entering into a site agreement, evidence suggests that many home owners are making these commitments without a clear understanding of what they are committing to and without seeking any legal or financial advice prior to entering into an agreement. Home owners have also complained that where advice is sought, it may be of a generic nature not targeted to the needs and circumstances of the prospective home owner.

3.4.2 Site agreements are complex

Residential park site agreements, and the residential park land-rental model, are complex and can be difficult for home owners and prospective home owners to understand.

Many residential parks describe themselves as 'lifestyle villages' and as an alternative to a retirement village. Many parks advertise themselves as a retirement option without the exit fees associated with leaving a retirement village. Few advertisements use the terms "manufactured home" or "residential park", making it difficult for prospective home owners to know what they should be researching as they consider their housing options.

There are differences between residential parks and retirement villages. Retirement villages operate on a cost-recovery model for charges while deriving profit from exit fees on the sale of a unit. Conversely, residential parks predominantly derive profits from the ongoing payment of site rent, and the Act provides only limited restrictions on the process for increasing site rent, with the amount of site rent, and the way it can increase, established in the site agreement.

A prospective home owner who has primarily researched retirement villages may end up considering the wrong factors when comparing their retirement living options and may not understand the consequences of their decisions to buy a manufactured home until after they have moved into the park.

3.4.3 Existing protections to support informed decision-making

Following legislative reform in 2017, the Act was amended to help ensure prospective home owners are taking the time to read and understand what they are committing to prior to entering into an agreement. The Act contains a precontractual disclosure process which requires home owners to be given documents in stages before entering into a site agreement. This process includes:

- An initial disclosure document including important information about the site, provided at least 21 days before a site agreement is entered into.
- A copy of park rules for the residential park, provided at least 21 days before entering into the site agreement.
- Two copies of the site agreement provided at least 21 days before entering into the site agreement.
- A supplementary disclosure document provided at least 14 days before the site agreement is entered into.

Where a park owner is asked to assign an existing site agreement, the stages are compressed, and all documents must be provided 21 days prior to the park owner consenting to assignment.

Where home owners have received legal advice from a Queensland lawyer, the home owner can sign a waiver document which can reduce the precontractual disclosure period down to a minimum of 7 days.

The Act also includes a cooling-off period in which home owners can terminate their site agreement if they are unhappy with their decision to move into a residential park. The cooling-off period is 7 days by default and increases to 28 days where the prospective home owner has not been given the required disclosure documents.

Home owners are strongly encouraged to seek advice about their site agreement, and financial circumstances before entering into a site agreement, and the front page of each precontractual disclosure document includes emphasised recommendations to seek legal advice prior to entering into an agreement.

Home owners may reduce the precontractual disclosure period to facilitate a faster purchase process only where the home owner has sought legal advice, and that the relevant lawyer confirms that advice has been given, in a waiver document which is provided to the park owner.

To assist home owners make informed decisions, the department publishes information on its website to assist home owners understand the residential park industry. The Queensland Government also funds the Caxton Legal Centre to provide the Queensland Retirement Village and Park Advice Service to provide advocacy, support and legal information to consumers, including the publication of factsheets and videos.

Despite these measures, home owner organisations and legal advocacy groups advise that home owners are signing site agreements without understanding the process for moving out of a park (and as discussed above, the basis and frequency of site rent increases). These groups have noted that it is difficult to find lawyers and financial advisers with expertise in the Act who can give appropriate advice, and there can be variation in the quality of advice provided.

3.4.4 Home owners have difficulty finding appropriate legal advice

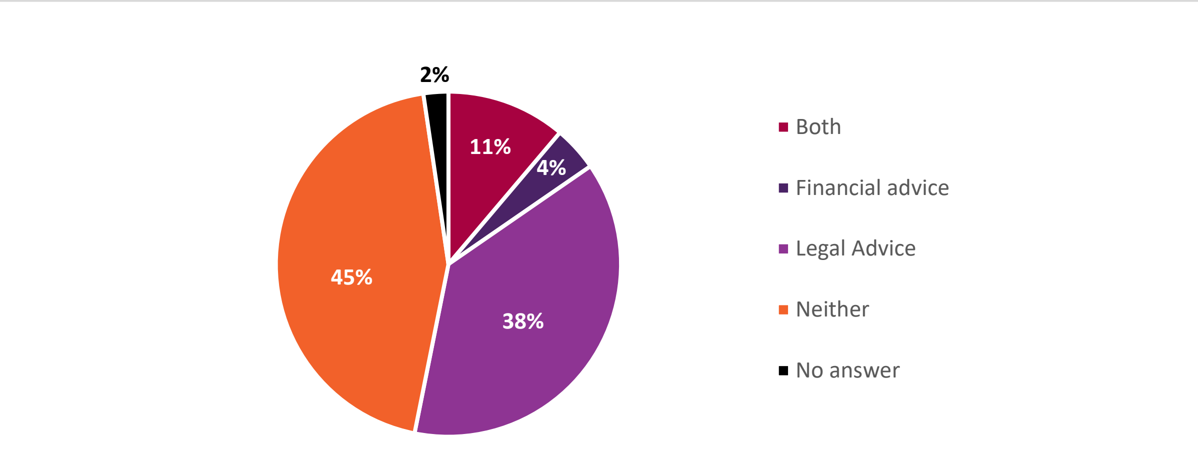
Stakeholder groups such as Associated Residential Parks Queensland, Queensland Retirement Village and Park Advice Service, and the Queensland Law Society advise that it can be difficult for consumers to find lawyers and financial advisers with expertise in residential parks and the Act, who can give appropriate advice, and that there can be variation in the quality and usefulness of legal advice that is provided.

On this topic, the ***Queensland Law Society*** stated in their response to the issues paper:

> *Ultimately, site rent issues and potential increases to site rents are disclosed to prospective home owners via current mechanism in the Manufactured Homes (Residential Parks) Act 2003 (Act). However, our members report many home owners are still signing site agreements without a sufficient understanding of the potential for the site rent to increase. This reflects either a failure to obtain appropriate legal advice, or that the legal advice provided was inadequate.*
>
> *Our members report that to provide appropriate and personalised legal advice about a site agreement and a home purchase agreement, a solicitor would need to charge approximately $1,000 to $1,500. Many prospective home owners feel this cost is too high and are subsequently signing agreements without the benefit of legal advice, believing that the legislation will adequately protect their interests. Other prospective home owners opt for legal advice provided by a firm recommended by the park owner, which may be a standard letter containing no advice tailored to the particular situation of each prospective home owner. Our members highlight the wide availability of this type of advice has generated an unrealistic expectation among prospective home owners that their legal costs should be no more than $550.*

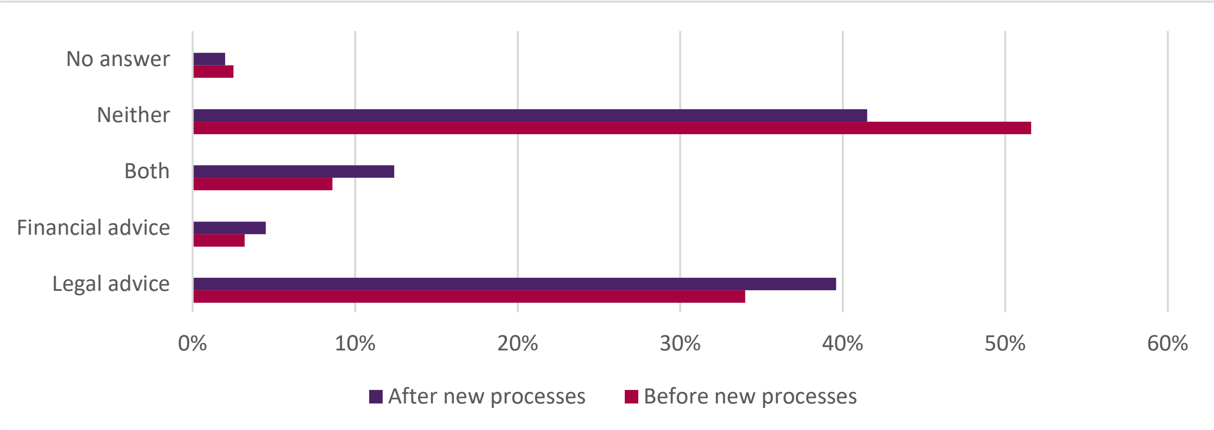
The 2022 survey asked home owners whether they sought legal or financial advice prior to entering into a site agreement. According to survey results, less than half of respondents reported seeking precontractual legal advice, and only 15% of home owners had sought financial advice.

Figure 11. 2022 survey precontractual advice received by home owners



When this data is filtered by home owners who moved into the park before and since the introduction of the new precontractual disclosure requirements in 2017, home owners were approximately 9% more likely to have received legal advice, and 5% more likely to have received financial advice. Home owners who entered into a site agreement prior to the 2017 amendments were 11% more likely to have received no advice whatsoever. See figure 12.

Figure 12. Percentage of respondents who received precontractual advice in 2013 and 2022 survey



This suggests that the new stricter precontractual disclosure requirements may have had an impact on the likelihood of home owners seeking precontractual advice. However, the rates at which home owners are seeking precontractual advice are still lower than desired, and substantially lower than the estimates provided by park owner representatives.

These figures also do not distinguish between whether home owners received personalised, high-quality advice tailored to their individual circumstances, or more general advice on whether a proposed site agreement merely complies with the Act's form and content requirements

3.4.5 A lack of contextual information to help home owners compare their options

The 21-day precontractual disclosure process, and cooling-off periods in the Act, are designed to mitigate the impact of high-pressure sales tactics, and ensure prospective home owners take time to consider their options and get advice.

However, processes in the Act do not provide for home owners to get relevant information until they are already invested in the process of purchasing a manufactured home. Precontractual disclosure is a prerequisite for entering into a site agreement but is focused on an individual site. There is not a consistent way for home owners to gather contextual information about other sites in the park, or other residential parks, that would allow home owners to shop around and make an informed choice about whether a manufactured home is right for them, and which parks provide the best value for money.

This is summarised in ***Associated Residential Parks Queensland*** submission to the issues paper which notes:

> *"A problem related to the ones discussed above that frequently causes anger amongst purchasers of a home in a park is that shortly after arriving in the new home they discover that they are paying higher, often much higher, site rent fees than their neighbours for the use of the same facilities and sometimes less services. ARPQ notes that notwithstanding previous attempts to assure precontractual disclosure in respect to site rents and services, they focus upon the individual home and do not provide buyers with information about how their contractual arrangements will compare with others in the park. We note that NSW legislation and regulations address this problem more effectively that ours in Qld."*

Without contextual information, a prospective home owner cannot determine where the terms on offer sit in comparison to others in that park and in the broader market.

Most residential parks provide little information about the park, its services, facilities and site rent in publicly available information. In many advertisements, it can also be difficult for a prospective buyer to determine whether a dwelling is in a residential park or a retirement village and be made aware of key aspects of the legal and contractual context.

To get the information necessary to make an informed decision, home owners need to approach a park owner and ask for this information, at which point they can become invested in the lifestyle aspects of a particular park and may commence down the pathway of purchasing a manufactured home to secure a place in the park. Home owners have described this as a 'heart versus head" decision where their choices at the time are based on the imagined retirement lifestyle rather than financial considerations. For these home owners, the long-term consequences of living in a residential park, particularly in relation to increasing site rents, are not apparent to them until after they have moved into the park.

Earlier access to comparative information could have many benefits, including improving the sales process, helping home owners make more rational and informed choices, and helping to place competitive pressure on site rents.

3.4.6 Limited requirements and safeguards around the process of selling a pre-owned manufactured home

The precontractual disclosure requirements in the Act regulate the process of a home owner and a park owner entering into a site agreement for positioning a home on a site in the park, or the assignment of an existing agreement to the buyer. This is a parallel but different process from purchasing the manufactured home itself.

There are limited requirements around the purchase of a manufactured home, including any prescribed form or minimum standards for the instrument conveying the purchase of the home.

For a pre-owned manufactured home, this can be complex as the sequencing between when the home is purchased from the seller and when the site agreement is entered into by the buyer and the park owner can be confusing, particularly where the process is not consolidated by the park owner operating as the seller of the home.

This can contribute to home owners feeling like they are unable to negotiate with the park owner about the terms of the site agreement which they believe are offered on a ‘take it or leave it’ basis. This has the potential to weaken a prospective home owner’s bargaining power and lead to the acceptance of less beneficial terms than those which could potentially be transferred to the buyer under an assignment agreement.

3.4.7 Lack of safeguards around verifiable proof of ownership

The lack of requirements around the purchase of a manufactured home (for example registration of a purchase) means proving ownership of a manufactured home and establishing whether the seller has the legal right to transfer that ownership to the buyer, can be difficult. In some cases, the existing site agreement or assignment agreement may be the only evidence. The land on which the home is located is owned by the park owner and the right to place a manufactured home on the land arises from the site agreement.

Concerns around proof of ownership were raised in submissions to the issues paper. The *Queensland Law Society* noted that:

> “*New manufactured homes are selling for $600,000.00 - $800,000.00 or more and, when those homes come to be on-sold in future, the vendors will expect to not only recoup their investment but potentially profit. However, we do not believe that buyers of second-hand manufactured homes are going to pay such considerable amounts unless the seller can provide adequate proof of ownership and proof the home has not been used as security for any loans from a third party. Currently, there is no way to provide such proof.*
>
> *This will potentially delay sales and devalue homes significantly, as buyers will be advised by their lawyers not to proceed to settlement of the purchase without proof that the seller is the legal owner, and that the home has not been used as security for any loans. Such proof is provided before settlement of the sale of any other significant asset, such as land, shares, vehicles, boats and heavy equipment. For all such assets, it is possible to search a register of ownership, and a register of any third-party interests (such as the Personal Property Securities Register) …*

The lack of safeguards around proof of ownership has the potential to impact confidence in the residential park industry which could exacerbate barriers to exit and delays in sale.

3.4.8 Perceptions on the effectiveness of precontractual disclosure requirements

The 2022 home owner survey asked home owners whether they agree that:

“The Act enables home owners and prospective home owners to make informed choices by being fully aware of their rights and responsibilities in their relationship with the park owner.”

In relation to this statement:

- 40% Strongly disagreed or somewhat disagreed
- 34% Strongly agreed or somewhat agreed
- 26% Neither agreed nor disagreed or provided no answer.

A significant proportion of home owners did not agree that they were empowered to make informed choices.

This suggests that from a home owners' perspective, there are likely to be further opportunities to improve the way information is conveyed to help home owners understand their choices.

3.5 Cause 2: Complexity and inefficiencies with the assignment process

3.5.1 Issue summary

Sellers can assign their site agreement to a subsequent buyer of their home. The terms of an existing site agreement can often be more beneficial than the terms of new site agreements. However, this process is often not well understood by buyers and sellers, and park owners often have a strong preference towards new site agreements.

New site agreements create an opportunity for park owners to increase site rent and change the basis on how site rent can increase. In the majority of parks which include market rent review clauses in their site agreements, the new higher site rent amounts can then contribute to an upwards pressure on site rent to align existing home owners with the new 'market' rates. In the 2022 survey, home owners who entered into new site agreements were financially worse off than home owners who were assigned an agreement. However, home owners who entered into new site agreements were more likely to think there was a clear and fair process for selling a manufactured home. This suggests that new agreements have non-financial benefits for home owners arising from a simpler process with clear, accurate and updated documentation.

3.5.2 Overview of the assignment process

The most significant issue about sales raised in submissions to the issues paper relate to problems with the process of assigning a site agreement from a seller to a buyer.

A selling home owner may assign their interest to a buyer through a written assignment. An assignment is only effective where the park owner consents to the assignment. The park owner must not consent to an assignment unless the precontractual disclosure requirements for an assignment agreement have been met. Under the Act, a park owner cannot unreasonably refuse to consent to an assignment.

Where there is an assignment agreement between a buyer and a seller, the buyer replaces the seller as a party to the site agreement and the agreement applies to them as if they were the original home owner. This means that the existing terms, such as the site rent payable by the home owner and how site rent can increase, pass on to the purchaser as if they were the original home owner.

As an alternative to an assignment agreement, many park owners will instead seek to have the buyer enter into a new site agreement with different terms.

3.5.3 Loss of benefits

Home owners commonly express frustration that they were not aware that they could have pursued an assignment agreement when they purchased their home, and as a result may have agreed to terms less beneficial than those in the previous owner's site agreement.

Once a home owner has agreed to a new site agreement, they are unable to revert to the previous agreement and must comply with the agreement they signed. This can have negative financial consequences where the new agreement provides higher site rent or ways for site rent to increase more quickly.

3.5.4 Lack of a clearly defined process for consumer choice

Home owner advocates note that the Act does not create any obligation on a park owner to notify a buyer that they have an option to enter into an assignment agreement when they are in the process of buying a pre-owned manufactured home.

In response to this concern, industry stakeholders note that it is not the purchasers but only the home seller who can request an assignment.

This is a reasonable interpretation of the Act, with s.44 of the Act stating:

44 Assignment only by assignment agreement

> (1) The seller may assign the seller's interest to the buyer only by written agreement (the ***assignment agreement***) with the buyer.
>
> (2) A term in the assignment agreement is void to the extent it purports to exclude, change or restrict the operation of section 46, 47, 48, 48A or 51A.

45 Notice of proposed sale and assignment

> The seller must give the park owner notice, in the approved form, of the proposed assignment of the seller's interest.

The legislative framework for assignment does not provide a clear pathway that a buyer or seller can easily understand, and there is insufficient information to make informed choices about whether to make use of an assignment agreement or enter a new site agreement. It also leaves the decision to assign with the selling home owner even though the buyer is also impacted.

The selling home owner who does not get legal advice (or gets advice from a non-expert) is unlikely to know that entering into an assignment agreement is a possibility unless they are told this by the park owner. However, where the terms of an existing site agreement are less beneficial to the park owner than a new site agreement, and the park owner is acting as the selling agent, a conflict of interest potentially arises.

For the buyer, the option to be assigned an existing agreement or enter into a new agreement, adds an additional layer of complexity to the process.

Precontractual disclosure processes for an assignment agreement and a new site agreement differ in terms of the timeframes within which the documents must be provided. Additionally, elements of the older agreement may be outdated, include prohibited terms, or contain out of date information about a home owner's rights and obligations.

3.5.5 Ambiguity on whether new site agreements are valid for existing homes

Submissions from consumer advocates questioned whether a park owner offering new site agreements to the buyer of a manufactured home is a valid process under the Act, or whether it is implied in the Act that new site agreements are only for newly positioned homes, and that existing homes must be transferred with an assignment agreement.

For example, in their submission to the issues paper, ***Queensland Retirement Village and Park Advice Service*** states:

> *"In our experience, Division 2 of Part 7 of the Act in conjunction with Section 32 are commonly interpreted by home owners, to mean that the assignment of a site agreement is the only option upon the sale of a manufactured home, and that it is therefore inappropriate for a park owner to enter into a new site agreement. These home owners rightly point out that the Act does not expressly state that a park owner and a buyer may enter into a new site agreement. This creates considerable confusion, and we believe that the legislation should be amended to afford more clarity in this regard."*

3.5.6 Distribution of assignment agreements and new site agreements

In the 2022 survey, home owners who purchased their manufactured home from a departing home owner were asked whether the departing owner assigned their existing site agreement or whether they signed a new site agreement. The results were as follows:

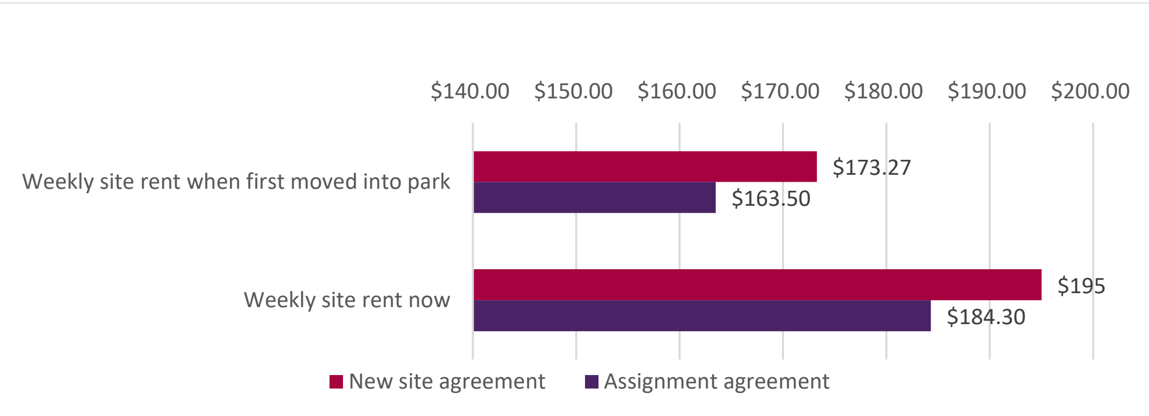
- 26% signed an assignment agreement.
- 74% signed a new site agreement.

The results show it is significantly more common for home owners to enter into new agreements (74%) rather than be assigned an existing site agreement (26%). The survey did not ask home owners whether they were aware of the option to be assigned an existing site agreement when they purchased their home, and if not, whether they would have taken that option. This makes it difficult to distinguish between home owners who made an informed choice, and those who did not know a choice was available.

3.5.7 The financial impact of assignment agreements compared to new site agreements

The 2022 survey identifies a significant difference in site rent between home owners who entered into a new site agreement compared to those who had an assignment agreement.

Figure 13. Impact of assignment agreements on median weekly site rent



Home owners who entered into a new site agreement started with median weekly site rent of $173 when they first moved into the park, and now pay a median site rent of $195 per week.

Home owners who had an assignment agreement paid a median weekly site rent of $163.50 when they first moved into the park, and now pay a median site rent of $184.30.

This demonstrates a benefit to buyers of approximately $10 per week for home owners who were assigned a site agreement, compared to those who accepted a new agreement.

3.5.8 New site agreements are an opportunity to increase site rent

When a new home owner accepts a new site agreement with a higher starting site rent, and/or a more rapidly escalating site rent increase basis, other home owners may also be impacted as the level of site rent in the agreement may be seen to represent the 'market price' which may in turn, influence the next market rent review in the residential park, or other parks which use that park as a point of comparison.

This places upwards pressure on site rent and contributes to site rent unaffordability.

3.5.9 The impact of assignment on home owner satisfaction

Despite potential financial disadvantage, home owners who were given a new site agreement were more likely to agree that "there is a clear and fair process for making, assigning and ending site agreements" and that "there is a clear and fair process for selling a manufactured home" compared to those who entered into assignment agreements.

Figure 14. 2022 survey "There is a clear and fair process for making, assigning and ending site agreements"

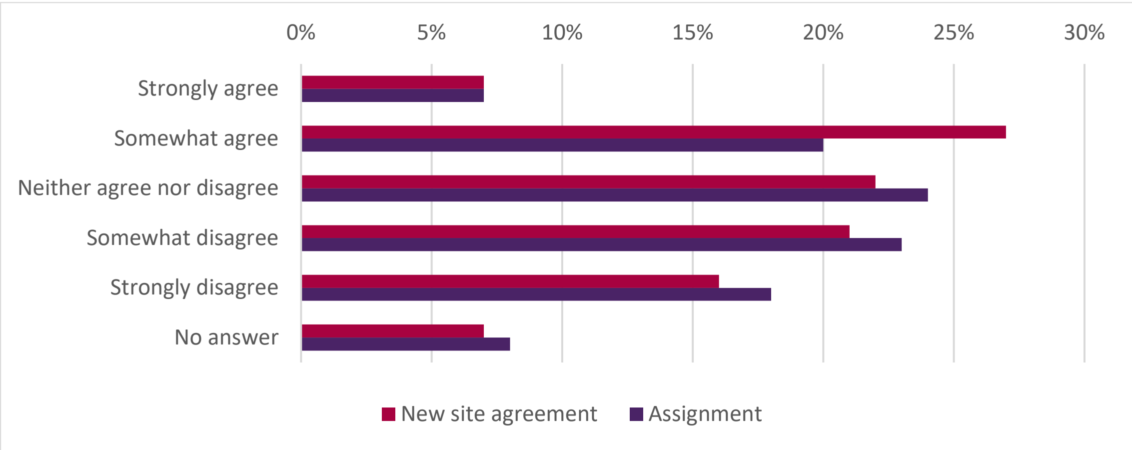
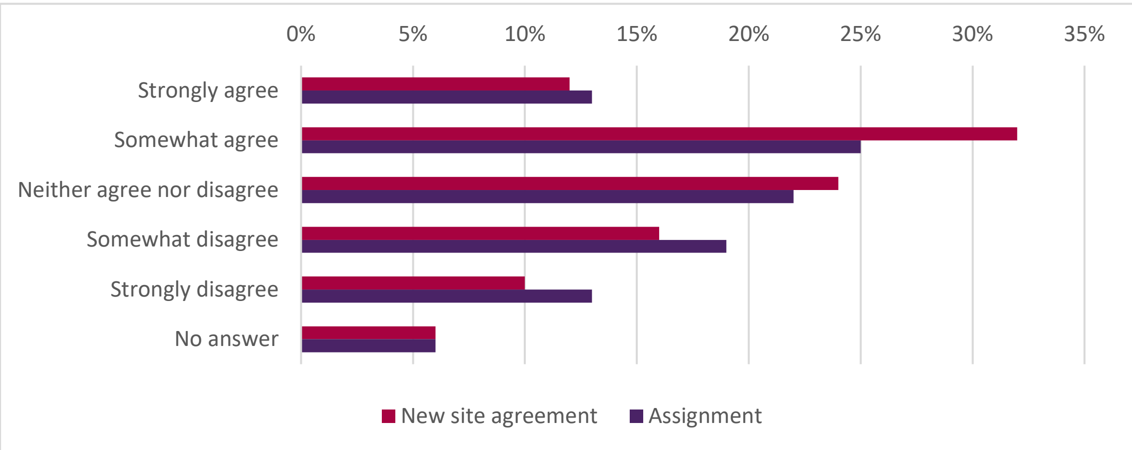


Figure 15. "There is a clear and fair process for selling a manufactured home"



This suggests that entering into a new site agreement may provide non-financial benefits to home owners, such as greater clarity and reduced complexity of the sales process.

3.5.10 Diverse views on assignment

There are a range of views about how assignment should be managed. A summary of views is provided below:

Table 9. Stakeholder views on assignment

Stakeholder	View on assignment
Queensland Retirement Village and Park Advice Service	• Buyers may be accepting less favourable terms because park owners are under no obligation to tell home owners that they can be assigned the seller's site agreement.
Queensland Law Society	• The process of selling a manufactured home should be simplified, where park owners should issue purchasers with a new site agreement (as opposed to assigning the old site agreement). This will simplify the purchase process, reduce the prospects of the park owner inadvertently hindering the sale, and allow park owners to update their terms over time. • To prevent sales being slowed or homes devalued where new site agreements contain higher site rent, there should be a requirement to keep the site rent the same as that payable under the outgoing home owner's agreement.
Associated Residential Parks Queensland	• Home owners can be disadvantaged when placed onto new site agreements as opposed to existing agreements. New site agreements create an opportunity to increase site rents and diminish inclusions and services in the site agreement. • New site agreements can be used to "'ratchet up" site rents in the park and justify increases for other home owners during market rent reviews.
Caravan Parks Association of Queensland	• New site agreements allow home owners to benefit from up-to-date information and less complex layout of new site agreements. • Outdated site agreements with old clauses can create confusion for home owners. • It is recommended that all sales should come with a new site agreement to ensure that the agreement is made on current forms and aligns with modern legislation.
Property Council of Australia	• Assignment is an additional process to existing disclosure and adds a layer of administrative complexity. Assignment of old agreements may cause confusion around park owners' and home owners' rights and obligations. • Member feedback suggests that assignment is not commonly used in practice.

The framework around site agreements and assignment agreements is complex, limits prospective home owners' ability to make informed choices, and creates opportunity for home owners to unintentionally make decisions against their own interest.

However, the process of assignment provides essential protections to a home owner's interest in their site agreement, and the value that comes from the terms of that agreement. This includes the site rent payable, the way site rent increases, whether utilities are included in site rent, and the facilities and services offered by the park in exchange for site rent.

Changes to these terms in a new site agreement have the potential to undermine or erode the value of a seller's site agreement where the new terms are less favourable to the buyer. Because of this, any changes to streamline or simplify the site agreement / assignment process must protect the value of a home owner's site agreement, enshrine key terms, and ensure buyers and sellers retain control in the process of transferring ownership of the manufactured home.

Causal factors - experienced while living in a residential park

The impacts of terms agreed to by a home owner in a site agreement, are typically experienced some time after they have moved into a residential park, by which time a home owner is invested in their home and the community lifestyle aspects of the park.

Problems with unexpectedly high site rent increases are experienced at this stage.

3.6 Cause 3: Fairness and equity issues associated with site rent increases

3.6.1 Issue summary

Market rent reviews are a major contributor to unpredictable and unsustainable rent increases. Home owners and park owners cannot reasonably predict what future market rent reviews will be when purchasing their home, and increases resulting from market rent reviews are substantially more variable than other bases for increasing rent. Market reviews involve subjective assessments, and a range of factors can create upwards pressure on site rent. Park owners, in selecting the registered valuer who undertakes a market valuation, potentially have significant influence over the process.

Other types of increase may also increase site rent at unsustainable rates, and some bases, such as CPI+X% will consistently outpace fixed sources of income such as the age pension. However, these bases are generally more transparent, providing prospective home owners an opportunity to factor declining affordability into their purchasing decisions.

3.6.2 An overview of market rent reviews

A market review of site rent, also known as a market rent review, or market review, is a commonly used basis for increasing site rent.

Market rent reviews involve raising site rent based on a market valuation prepared by a registered valuer who makes comparisons with site rent payable in other residential parks with consideration of their relative facilities, services, amenity and location. The valuer may also look at rent payable for other residential accommodation in the area, such as private rentals.

Market reviews are a preferred method for increasing site rent for many park owners as they provide flexibility to increase site rent in circumstances where a manufactured home site agreement cannot be changed without home owner consent and can only be terminated in limited circumstances.

Market reviews commonly occur every third year in a residential park, however some residential parks provide for a market rent review every fifth year instead.

Market review clauses are common, with the 2022 home owner survey finding that 76% of site agreements include market reviews as a basis for site rent increase.

One of the main benefits of market rent reviews for park owners is that it allows for frequent recalibration of site rent to ensure that rates of site rent align with market conditions. However, for home owners, market rent reviews can result in unexpectedly large rent increases which create financial pressures.

3.6.3 Difficulty in predicting outcome of future market reviews

Buying a manufactured home in a residential park requires both an upfront, often significant, investment of capital and an ongoing capacity to pay site rent. To make a confident decision to live in a residential park and to ensure future housing security, home owners must be able to determine with some level of accuracy, the future costs of site rent. Most manufactured home owners are retirees without the capacity to increase their income, so it is especially important that they are able to make an informed choice about whether they can afford to live in a residential park in the long-term.

However, changes in the market are unpredictable, and aspects of a market review are based on external (and at the time of entering a site agreement) unknowable factors such as comparing the amenity, facilities and services offered by the park with other parks in similar locations. Further, the relative desirability of locations can change as urban centres shift, expand or develop which can have subsequent impacts on the growth of site rent.

The initial disclosure document that a home owner receives as part of precontractual disclosure includes a history of recent rent increases to help the home owner estimate how rent may increase. However, this may be a poor predictor of future outcomes where changes in the market are significant.

Home owners also report that when a new home owner moves into their park, the higher site rent they are charged (and potentially agreed without being aware of what the previous home owner paid) is used by the park owner as a new ‘base level’ that all site rents are increased to, as this represents the ‘going market rate’ for site rent in the park. In this sense, the lack of predictability of market rent reviews is related to issues around assignment and precontractual disclosure for home owners entering the park, as the affordability of site rent for existing home owners is influenced by the decisions of subsequent home owners.

A comparison could be made with the private rental sector in which rent can be increased at the end of a lease to the level a consumer is willing to pay (and without needing to base the increase on an independent market valuation), however this ignores the substantial investment required for a home owner to move into the park. The barriers to a renter relocating to more affordable accommodation, are much less than those faced by manufactured home owners who must continue paying site rent until their home is sold or removed from the site.

3.6.4 Excessive or volatile increases in site rent due to market rent reviews

The majority of site agreements include market rent reviews, and the median compound annual growth rate for site rent over the past 5 years for agreements which include market rent reviews has been only slightly higher than the growth rate for the market as a whole (2.99% compared to 2.9%).

However, many market rent reviews result in increases that are significantly higher than the median. As noted in section 3.2, the range of possible outcomes for a market rent review is wider than for other site rent bases, with many market rent review increases exceeding 10%.

Market rent reviews introduce the possibility of home owners experiencing sharp, unpredictable spikes in their site rent which will impact on their capacity to meet ongoing living expenses much more than an increase schedule that can be factored in to a home owner's budget when choosing to buy a manufactured home.

The subjective elements of market rent reviews also provide opportunity for sudden and unexpected changes where, for example, a new owner purchases a residential park and wants to recoup investment costs by raising site rent where there is a perceived difference between site rent being paid and market value of site rent for a manufactured home in comparable parks. Home owners report that this is increasingly becoming a problem as residential parks become an attractive asset class.

3.6.5 Regulatory safeguards around market reviews of site rent

Prior to the 2017 amendments, the Act provided little regulation of market rent reviews.

The *Housing Legislation (Building Better Futures) Amendment Act 2017* introduced additional safeguards and processes to address concerns about excessive increases, conflicts of interest and a lack of transparency in how market rent reviews were calculated. These safeguards included:

- A requirement for market rent reviews to be based on a market valuation prepared by an independent registered valuer.
- A requirement for home owners to be consulted by the park owner, or the registered valuer, in the preparation of a market valuation.
- A requirement for the registered valuer to disclose any connection to, or agreement with, the park owner that may call into question the independence of the valuation.
- A requirement for home owners to be given a copy of the market valuation along with their notice of site rent increase.
- Restrictions on site rent increases including multiple bases at once, for example a CPI-based increase done at the same time as a market rent review.

Where a home owner believes a site rent increase is excessive, they may dispute the increase with the park owner using the three-stage dispute resolution process which progresses from negotiation to mediation, to a hearing by QCAT.

QCAT is able to order an alternative valuation where it considers such an order appropriate and may reduce the amount of an increase or set aside an increase where it determines that the increase was excessive.

However, despite improvements in 2017, complaints about the fairness and appropriateness of market reviews as a basis for increasing site rent has continued to grow in subsequent years.

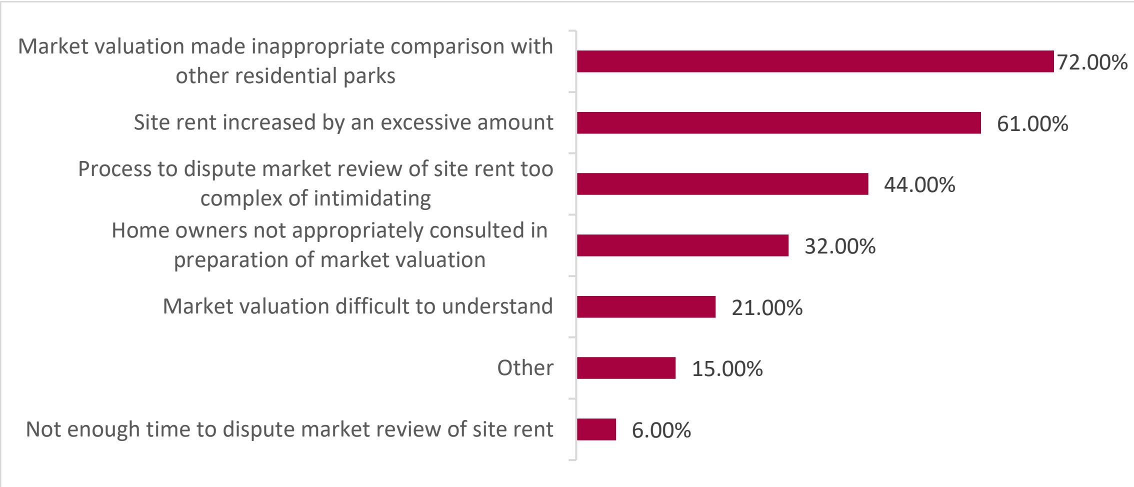
3.6.6 Home owner and advocate feedback on the market review process

In the 2022 home owner survey, respondents were asked how site rent could increase under their site agreement. Home owners with market rent reviews were asked "Were you happy with how your last market rent review of site rent for your manufactured home was conducted?"

Sixty-one per cent of home owners indicated they were unhappy with how their last market rent review was conducted compared with 15% of home owners who were happy[34].

Respondents who were unhappy with how their market review was conducted were asked to identify the top three reasons why they were dissatisfied. Responses are shown below.

Figure 16. Reasons for dissatisfaction with market rent review (percentage of total respondents who selected options as one of top three reasons)



Seventy-two per cent of those who were unhappy said it was because the market valuation made inappropriate comparisons with other parks, while 61% of respondents were dissatisfied because of the amount of the increase, and 44% felt the process to dispute the market review was too complex or intimidating.

Many home owner and advocacy groups made submissions to the issues paper about the fairness and appropriateness of market reviews of site rent, with a number of submissions to the issues paper questioning whether market-based increases are appropriate given the high degree to which home owners are invested in their residential park. For example, in their submission to the issues paper, ***Associated Residential Parks Queensland*** states:

> *"Basing increases in site rents on increases on estimates of "market valuation" is grounded in the assumption that market forces are the best way of setting a fair and equitable price for the product that the rent is paying for. Essentially, this assumption is grounded in the idea that a fair and equitable rent is that which the renter is prepared to pay and that in a free market, home owners will refuse to pay rents they consider to be too high and move on to find an alternative provider of the same or similar products (sites in parks for homes) elsewhere at a price they think is appropriate.*

[34] 24% provided no answer

Section 1.5 of the issues paper points out the obvious problem with accepting this market rationale in relation to site rents in residential parks. The market for sites in residential parks does not in practice operate as a free market.

Home owners faced with a demand to pay a higher rent have few options for seeking an alternative to paying the increase as envisaged in a free market scenario. An ageing resident who has been in his or her home in a park for a number of years and who has diminishing financial resources is not well placed to move to another park in search of a lower rent.

3.6.7 Concerns about market valuation methodology

The most common reason for home owner dissatisfaction with the market review process in the 2022 home owner survey was that the market valuation made inappropriate comparisons with other residential parks.

There are not prescribed criteria for how a market rent review must be undertaken. The most common method for valuing site rent is a direct comparison with other parks which involves a high-level assessment of how the park's level of amenity, condition, services, and facilities compare to parks in similar locations.

To help validate feedback on market rent reviews, respondents to the 2022 survey were asked to provide copies of market reviews undertaken in their residential park:

- The department received copies of 22 market review valuation reports prepared by registered valuers.
- 20 of the 22 reports were commissioned by park owners, while the remaining two were commissioned by home owners.
- 15 of the 20 reports commissioned by park owners were prepared by two valuation firms which both applied a 'direct comparison method'.

The direct comparison method involves comparing the park subject to a market review to a selection of parks deemed to be broadly comparable, primarily in terms of location. Valuation reports also made comparisons to parks in different regions, possibly because there were few residential parks close by, or because parks in different regions offered similar levels of amenity and services.

Five of the 20 reports commissioned by park owners compared the subject park to other parks owned by the same company and multiple reports also compared residential parks to nearby caravan parks as part of the rationale for a site rent increase.

The methodology used in market review valuation reports reviewed by the department generally involved comparing parks in terms of their location, for example proximity to services or desirable landmarks, the age of the park and dwellings, density, the standard of infrastructure and amenities and rental values, including recent rent increases.

Apart from site rent values, the assessments are based on a subjective rating system with each park compared and assigned a rating of either 'inferior', 'superior' or 'comparable'. However, the rationale for these assessments was often not clearly described.

The methodology in a number of reports viewed by the department involved conclusions without strong supporting evidence, for example by identifying that the park being valued had inferior amenities and a similar location to the comparison park and then recommending the same site rent as the comparison park.

The site rent increases recommended by the 20 reports commissioned by park owners ranged from increases of 3-4% to increases of 28-29%.

On average, the 20 reports commissioned by park owners recommended site rent increases of $18 or 13.7%.

The reports commissioned by park owners generally contained little or no information about consultation undertaken by the valuer with home owners, or issues raised by home owners in consultation. Five of the 20 reports commissioned by park owners did not mention details of consultation with home owners.

The two reports commissioned by home owners focussed much more on issues of primary concern to home owners, for example the withdrawal of services or reductions in the quality or availability of services, the standard of park maintenance and the need for repair or upgrade of communal facilities. These valuation reports recommended no increase to site rents at the subject parks.

Analysis of the rationale of market valuations, along with the significant difference in the market valuations commissioned by home owners compared to park owners, supports the view that the identity of the party hiring the valuer has an impact on the outcome of the valuation.

3.6.8 Relationship between park owner and valuer

Under the Act, the park owner may choose the registered valuer who undertakes a market valuation. This differs from comparable processes for engaging a valuer under the *Retail Shop Leases Act 1994* and *Retirement Villages Act 1999*, which require that both parties agree on the valuer, and provide mechanisms for the chief executive of the department administering each Act to appoint a valuer, where agreement cannot be reached.

Registered valuers must comply with relevant legislation and the Australian Property Institute Rules of Professional Conduct, which require them to carry out their duties ethically, competently and in good faith. Complaints against a registered valuer may be lodged with the Valuers Registration Board of Queensland.

The Act also requires a registered valuer to state in the market valuation any connection to, or agreement with, the park owner that might call into question the independence of the valuation. A home owner who opposes the market valuation based on this connection or agreement must dispute the increase using the dispute resolution processes in the Act.

Under the Act, the home owners committee must be consulted about a market rent review at least 63 days before the general increase day. Where there is no home owners committee, 25% of home owners must be consulted (or if the park has fewer than 9 sites, the home owners for at least two of the sites). Consultation may be done by either the park owner or the registered valuer.

Manufactured home owners have argued that there is no guidance on the level or adequacy of consultation required (for example, a town hall-style meeting with home owners) or whether a park owner undertaking consultation is obligated to accept and pass on written submissions from home owners to the registered valuer.

Home owners and other stakeholders have expressed concerns about the inevitably closer relationship between the registered valuer, and the park owner who selects and pays the valuer.

If there is a dispute raised about a market review outcome, the Act allows for QCAT to appoint an independent valuer, in limited circumstances including where consultation was not adequate, a market valuation was not provided, the increase differs from the market valuation, or where the basis or methodology for the review was not clear or reasonable. The Act does not explicitly allow an independent valuer to be appointed due to a perceived or actual conflict of interest unless the market valuation is otherwise unreasonable.

In a submission to the issues paper, the ***Valuers Registration Board of Queensland*** said:

> *"The Manufactured Homes (Residential Parks) Act 2003 (the MH Act) provides the park owner with the power to appoint a registered valuer to undertake a market rent valuation. As one of the main objectives of the MH Act is to 'protect home owners from unfair business practices', it is curious that the MH Act invests this power solely in the hands of the property owner, rather than legislating that park owners and home owners must agree and jointly appoint a valuer to undertake a market rent valuation.*
>
> *Concerns were expressed in the discussion paper that giving the park owner the discretion to appoint a valuer may encourage a valuer to be more favourable to a park owner when using their professional judgement. This is an important point as valuation is not an exact science and the professional judgment of an individual valuer will impact on the market rent determined."*

Comments by the ***Valuers Registration Board of Queensland*** support the contention that despite strong protections against conflicts of interest within the valuation industry, the processes in the Act for valuation as part of a market review are not sufficient to address the power imbalances and information asymmetry between home owners and park owners.

3.6.9 Difficulty in disputing a market rent review

Home owners have commonly reported that the process of disputing a market rent review is complex and intimidating, and that the dispute resolution process is weighted in the park owner's favour.

Site rent increases are the most common residential park dispute, and market reviews are a significant majority of disputes about site rent. This is due to the subjective nature of market reviews, which are more likely to result in home owners believing the increase is excessive and/or involve a perceived lack of independence between the park owner and valuer.

In their submission to the issues paper, ***Queensland Retirement Village and Park Advice Service*** raises concerns over the practicality of a home owner disputing an increase in site rent.

> *"A significant issue not addressed in the issues paper is the difficulty posed by the position adopted by the Queensland Civil and Administrative Tribunal (QCAT) in the decision of **Priddy & Ors v M and T Entriken Pty Ltd** [2020] QCAT 107. In this decision, the Tribunal found that the valuer engaged by the park owner for the purpose of the rent increase, was an expert witness and that the onus was on the home owners to provide alternate expert evidence to counter the valuation. The flow on effect of this decision is that it has become virtually impossible for home owners to successfully dispute a market review increase without obtaining their own valuation. The cost of obtaining a valuation is usually prohibitive, even for a group of home owners."*

Section 70A of the Act empowers QCAT to appoint an appropriately qualified and independent registered valuer to help the tribunal to determine whether an increase is excessive by giving the tribunal a written valuation for market review or by giving expert evidence.

Anecdotal evidence suggests that in practice it is rare for QCAT to order a second independent valuation as the initial valuation is taken to be an independent report by an expert. This creates a difficult situation for a home owner who believes that their market review is excessive but may not have good prospects of lowering the increase unless they procure an alternative market valuation at their own expense.

The average cost of a valuer's report to support a market rent review is estimated to be about $7,500. Spread across a number of home owners in the park, this cost might become more manageable though it would still be a barrier to home owners seeking to dispute an increase. Additionally, collective action by a large group requires home owners to undertake a major organisational effort, initiate the dispute within the 28 days provided by the Act and obtain legal advice about the matter and further ongoing advice about the conduct of a dispute.

3.6.10 The appropriateness of market rent review as a basis for increasing site rent

Residential parks are for-profit companies providing a service in a free market, and home owners have a responsibility to be accountable for their decisions. Home owners are free to choose parks which do not include market rent reviews or choose other housing options to the extent those are available.

However, a market driven approach to setting site rent is only appropriate to the extent that the market is operating fairly, freely and competitively. In residential parks there are factors which mitigate the influence of competitive forces including information asymmetry; imbalances in power between home owners and park owners due to the age or vulnerability of many home owners; the high cost of entry and significant barriers to exit; the increasing concentration of park ownership; and the bias that arises from park owners having the sole discretion on which valuer to appoint. Many of these factors are explored more fully elsewhere in the DIAS.

Market rent review outcomes are not possible to predict. This is a problem which cannot be solved by improved precontractual disclosure.

Because home owners are locked into their site agreement unless they sell, home owners have few ways to respond to a rent review increase they believe is excessive, other than through initiating stressful and time-consuming dispute resolution processes.

3.6.11 Limited regulation about site rent increase bases that can be included in a site agreement

While the Act establishes the processes for increasing site rent, the terms of the site agreement establish how site rent can increase. One benefit of this approach is that it provides the opportunity for park owners to develop competitive market offerings. However, this also provides broad scope for the way site rent increases can be calculated and described in a site agreement. This can make it hard for home owners to make informed decisions, get affordable legal advice and compare different options.

Home owner representatives have called for stronger safeguards in the Act around site rent increase bases given that the residential park business model is targeting older consumers who may have difficulty understanding complex site agreement terms and be financially vulnerable to increases in site rent.

3.6.12 The contribution of CPI-based increases to the problem

The Consumer Price Index (CPI) are statistical measures published by the Australian Bureau of Statistics (ABS) and State equivalents to provide summary measures of the movements in various categories of prices over time.

There are a range of CPI published for different regions, including the All-Groups Brisbane CPI, the All-Groups Sydney CPI and the Average of Eight Capital Cities CPI. A complaint raised by home owners is that some park owners choose the CPI which provides them with the greatest financial return, for example by specifying the Sydney CPI as the index for site rent, despite this having no connection to inflation in Queensland.

Another complaint by home owners is that some consumer price indexes do not correlate with actual increases in park operating expenses resulting in expanded park profits where CPI is higher.

On this topic, *Associated Residential Parks Queensland* states in their submission to the issues paper:

> *"A key problem is that CPI is a measure of increases in cost for five categories of household and many of the contributors to increases in cost to households do not impact upon the costs of operating a residential park.*
>
> *[We] submit that three of these factors (food, health costs and pharmaceutical costs) are likely to have had very little impact on the cost of operating a residential park and a fourth (automotive fuel) would have had only a marginal effect. The relevance of them and of a measure based upon them as a metric used to determines site rents is therefore questionable to say the least."*

The impacts of the predominant use of the Brisbane All-Groups CPI for indexing site rent was also a focus for the *Alliance of Manufactured Home Owners* in their various submissions to the issues paper stating that:

> *"When this Act was written in 2003 the CPI stated to be used in the Dictionary was the "All Groups Brisbane", which is extremely volatile and includes tradable items of the Queensland economy, such as electricity, gas, fuel etc. Rent does not belong in this category; the correct CPI measure was the Weighted Median being the lesser of the two percentage categories that rent is aligned to."*

The Act does not require general site rent increases to align with increases in park operating expenses. CPI has historically been used as a site rent increase basis (or a component of a basis) as it ensures the real dollar value of site rents keep pace with inflation, is independently measured, and has some relationship with the age pension.

Arguably, the CPI which best approximates inflation in Queensland is the Brisbane All-Groups CPI and anecdotally, is the most commonly used CPI in site agreements. However, other CPI, such the Weighted Average Eight Capital Cities, may better reflect increases in the age pension which are indexed at a national level. This would contribute to the ongoing affordability of site rent for home owners on the age pension.

At the date of publication, public sentiment around CPI is more negative than usual due to high inflationary pressures in the economy. However, over a longer scale, CPI has been generally regarded as a fair measure for increasing site rent.

The **Property Council of Australia** notes in their submission to the issues paper that:

> *"While site rents are limited to what is outlined in the site agreement, the rising cost of running a park has outstripped CPI in recent years with our members reporting increases of:*
>
> - *10 – 15% increases in employment costs*
> - *30 – 100% increases in insurance costs (and more in increases to the excess on these policies)*
> - *5 – 25% increase in utilities*
> - *8 – 20% increase in rates*
> - *15 – 30% increase in waste costs*
>
> *Even without these increases, home owners expect that the park that they live in will be maintained to an appropriate standard and that over time, facilities will be improved. These upgrades and maintenance improve the quality of life of home owners."*

CPI-only increases are becoming less common in residential parks, and CPI is usually combined with an additional factor such as a fixed percentage or regular market reviews. This may be due to an industry perception that CPI-only increases are insufficient to park cover expenses, particularly in periods of relatively low inflation, such as between 2015 and 2020 where the Brisbane All-Groups CPI was at or below 2%.

3.6.13 The contribution of CPI plus another metric ("CPI+X") increases to the problem

CPI-based increases often combine CPI with another element such as CPI+2%. These bases are increasingly more common than CPI-only increases and have a greater impact on the long-term affordability of site rent for home owners.

Due to the compounding effect of the increases, a site agreement which includes an inflationary component (CPI), and a fixed component are likely to increase at a rate higher than the income of home owners whose primary source of income is fixed (such as the age pension). This is likely to contributing to the declining housing affordability experienced by some home owners.

During periods of high inflation, such as the annual increase from the December 2022 quarter of 7.8%, adding additional components such as a fixed percentage on top of this amount can have especially significant effects.

As a simplified example, assuming a home owner recipient of a single age pension currently receives $1,026.50 per fortnight and pays the median site rent of $376 per fortnight, this home owner would be paying 37% of their income on site rent. Assuming their site rent and income both increased by the same CPI, this proportion would remain consistent. However, with an increase basis of CPI+2%, the same home owner would be paying 40% of their income after 5 years, 44% of their income after 10 years, and 54% of their income after 20 years of living in their residential park[35].

Arguably these bases are relatively transparent, with declining affordability being a predictable outcome for a home owner. As a result, a home owner entering into this kind of agreement with an understanding of the consequences of that decision can factor in an appropriate buffer to account for the rate that affordability of site rent will decline during their time renting in the residential park.

[35] Assuming a uniform increase in CPI of 2.5% per annum.

3.6.14 The contribution of fixed percentage increases to the problem

Similar to CPI+X% increases, fixed percentages have the possibility of increasing site rent at a rate higher than a home owner's income. The extent to which this will result in declining housing affordability for manufactured home owners will depend on the level of increase agreed to and how this compares to CPI over time.

Fixed percentage increases have the benefit of being transparent and predictable for home owners. A home owner with a fixed percentage clause in their site agreement can easily project the cost of their site rent into the future and know exactly what their site rent will be after any number of years. This allows a home owner to budget appropriately and decide whether their financial situation enables them to afford site rent into the future.

While fixed percentage increases can result in declining affordability, these impacts can to some extent be mitigated through good precontractual disclosure and accessibility of legal / financial advice for home owners.

3.6.15 The contribution of formulaic increases to the problem

Some site agreements include formulas that allow site rents to increase based on a calculation of different costs and expenses experienced by the park owner. One example of such a formula would be the following:

R x C + (X/Y + Z/Y)

Where: "R" represents the Site Rent paid during the preceding year, "X" represents the increase in local government charges, "Z" is the increase in land tax, "Y" represents the total number of sites in the park and "C" represents the percentage increase of the CPI for the preceding year.

The complexity of these formulas was raised as a potential problem in the issues paper, however feedback on expense-based formulas was largely positive from both home owner and park owner submitters. For example, a submission from a park owner on the issues paper noted that:

> *"We firmly believe that our review formula (shown as an example on Page 9 – 1.8) RxC+(X/Y+Z/Y) of your review document is not complicated but in fact, the opposite, as it is very clear and up-front as to what it constitutes."*

In their submission to the issues paper, *Associated Residential Parks Queensland* advocated for using formula to increase site rent directly in proportion to operating expenses stating that:

> *"…The fairest approach to setting site rent increases to adequately cover price rises in park operational expenditures would be to require park owners to provide independently verified figures and information about their actual operating expenditures in any given year compared to those in the previous year.*
>
> *This would enable park owners to set an annual increase in site rent reflecting rises (and falls) in costs they actually incurred, thus ensuring ongoing viability of parks. It would exclude price gouging or a windfall increase in profits simply because the cost of unrelated items in the CPI are rising so fast in the Australian economy at the moment.*

Feedback from both park owner and home owner groups suggest that both sides see value in the use of formulas in the calculation of site rent increases. This suggests that formulaic increases may not currently be a significant problem.

However, concerns remain that complex formulas may be hard for home owners to understand and may make it harder for home owners to understand and predict the rate at which their site rents will increase.

3.7 Cause 4. Imbalances in market power between home owners and park owners

3.7.1 Issue summary

Home owners are generally retirees on limited incomes such as the age pension, and they may experience increasing vulnerability as they age. Conversely, park owners are increasingly large operators with significant resources, expertise and sophistication.

The residential parks framework relies heavily on home owners advocating for themselves, individually, or collectively using complex and potentially onerous dispute resolution processes. Many home owners are not well equipped for the legalistic nature of this process, and their fixed income limits their capacity to be represented in their dealings with park owners.

The extent to which home owners are unable to leave their residential park (cause 6) and must continue paying site rent until their home is sold or relocated, further contributes to the power imbalance between home owners and park owners and insulates park owners from competitive drivers that would otherwise place downward pressure on site rent.

3.7.2 Residential park disputes are complex and intimidating for home owners

Home owner groups and consumer advocates commonly raise concerns about the complexity and stress associated with challenging increases in site rent, suggesting the adversarial and legalistic nature of the dispute resolution process are barriers to improved outcomes.

In a survey undertaken as part of a review of dispute resolution processes in residential parks and retirement villages[36], consumers reported that they were deterred from proceeding with dispute resolution because of the stress and emotional impact resulting from these adversarial processes. Others indicated that they did not want to “rock the boat”; were concerned about negative consequences; or had seen other consumers raise claims that were not resolved to their satisfaction.

This unbalanced relationship between home owners and park owners described above is evident from home owner complaints and submissions to the issues paper. Many home owners feel that they are persistently at odds with the park owner in relation to site rent, and even where a resolution is achieved, the next yearly increase is right around the corner.

Disputes are most likely where site agreements include a market rent review as a basis for increase since they are based on valuations which can be challenged.

Surveys and interviews with consumers and managers of residential parks as part of the review of dispute resolution in residential parks and retirement villages indicate low consumer satisfaction levels at each stage of the dispute resolution process.

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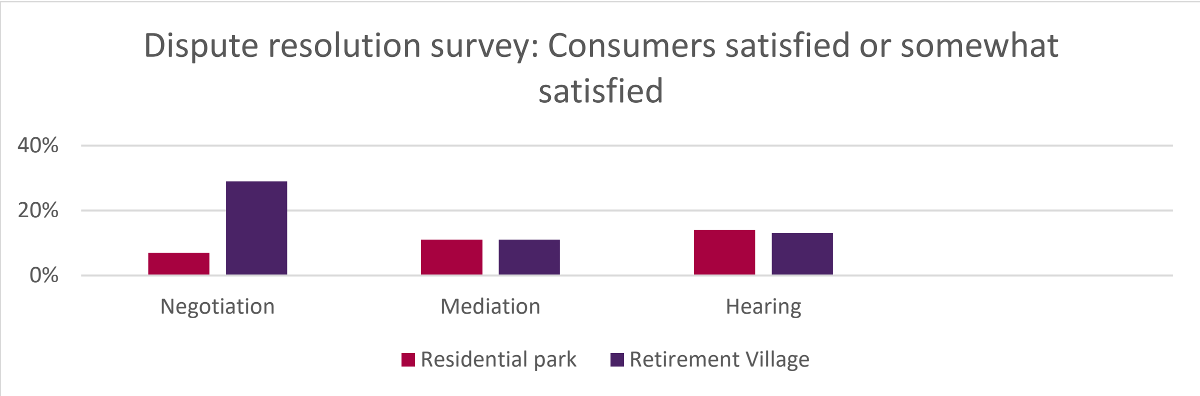
[36] Dispute Resolution Stakeholder Engagement: Final Report, Department of Communities, Housing and Digital Economy

The dispute resolution processes in retirement villages and residential parks are similar. However, manufactured home owners were significantly more dissatisfied at the negotiation stage of dispute resolution compared to retirement village residents, while satisfaction of mediation and QCAT hearing stages were consistently low across both industries.

Figure 17. Consumer satisfaction in residential parks and retirement villages from 2021 dispute resolution survey

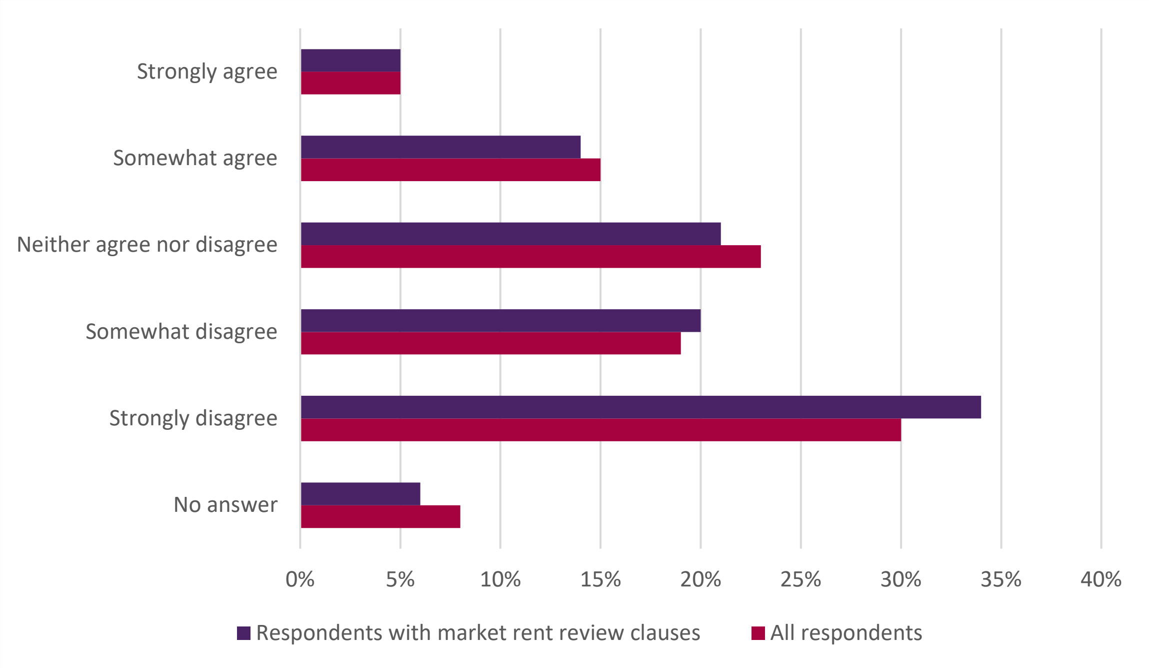


The 2022 home owner survey asked respondents whether they agreed that **"The Act provides effective ways of resolving a residential park dispute".**

In relation to this statement:

- 49% of respondents strongly disagreed or somewhat disagreed
- 20% of respondents strongly agreed or somewhat agreed
- 31% of respondents neither agreed nor disagreed, or provided no answer

Figure 18. 2022 survey responses to "The Act provides effective ways of resolving a residential park dispute"



A significant proportion of home owners did not agree that the Act provided for effective ways of resolving residential park disputes.

This is important as a large number of disputes in residential parks are about increases in site rent, indicating that the pathway for disputing an increase in site rent is not seen by many home owners as an effective way of achieving a resolution.

Respondent views on this question were consistent regardless of whether home owners had received legal or financial advice, and dissatisfaction among respondents was more pronounced where their site agreement includes a market rent review.

3.7.3 Manufactured home owners are predominantly a cohort of older Australians

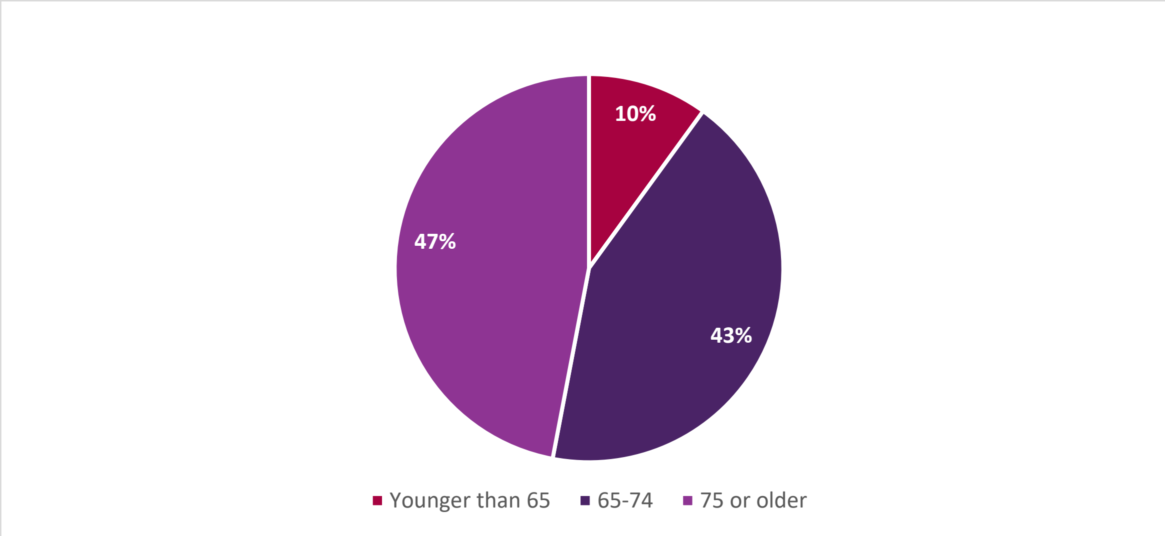
The age and potential vulnerability of home owners may contribute to the imbalance of power in their relationship with park owners.

In the 2022 survey of home owners, 90% of respondents were aged 65 or over, which is an increase of 2% from the 2013 survey of manufactured home owners.

The largest single age group of respondents were 75 or older (47%), which has also increased by approximately 2% since the 2013 survey.

Less than 1% of respondents identified as under 55 years of age.

Figure 19. 2022 survey age distribution of respondents



Home owners in residential parks are therefore more likely to be facing age related issues such as physical disability, poor health, isolation, low income and cognitive decline. As a result, they may be more vulnerable to exploitation, and less able to advocate for themselves, make informed decisions and enforce their rights.

To the extent that residential parks have concentrated their business model in targeting seniors, a regulatory framework with a regular possibility of conflict, complex dispute resolution processes, and reliance on self-advocacy, is problematic for older consumers.

Feedback from the Queensland Retirement Village and Park Advice Service indicates the level of support needed for manufactured home and retirement village clients to advocate for themselves is increasing.

Meanwhile, the low income of many manufactured home owners means that their capacity to purchase professional legal services is limited. This can be an impediment to home owners enforcing their rights under their site agreement and the Act.

3.7.4 Community expectations around consumer protections for vulnerable Australians

The Act was not specifically designed to regulate senior-specific accommodation. Residential park owners can sell their manufactured homes to people from any age group. However, in practice, residential parks are marketed to seniors and as an alternative to retirement villages.

Unlike retirement villages, residential parks do not have an automatic exemption which permits them to discriminate on the basis of age, and where a park does wish to limit entry into the park on the basis of age, they need to seek and continue to renew an age discrimination exemption in accordance with the *Anti-Discrimination Act 1991*. These exemptions are sometimes sought by residential parks, but most parks cultivate their community demographic solely through marketing.

Over time, the residential park market (particularly the growing number of purpose-built parks) has become sold as an affordable lifestyle choice for retirees who value the social aspects of retirement communities but want to own their home and pay no retirement village-style exit fees.

Increasingly, residential parks and retirement villages are competing in the same market, and it can be difficult for a consumer to distinguish between the two in the products and services they offer.

In retirement villages, the charging of ongoing fees and the way they can be increased is regulated to ensure cost-recovery only, with the profit made by the scheme operator when the resident leaves the village and the unit is resold. This helps ensure retirement village residents are not priced out of their homes. Similarly, a resident's exit from the village, the sale of the unit and the return of the resident's exit entitlement are regulated in recognition that residents are vulnerable and a timely and predictable return of their investment is often important to fund their escalating care needs.

By comparison, the age, income and vulnerabilities of the manufactured home owner cohort amplify the issues raised in the DIAS. To the extent that residential parks are operating as de facto retirement villages, stronger protections are needed to regulate them which ensure that Queenslanders living in residential parks are protected from market failure, power imbalances and unfair business practices.

3.7.5 Increasing market concentration and sophistication of residential park operators

When residential parks first emerged, small and family-owned parks were relatively common. As the industry developed, participants in the market have grown larger and more sophisticated.

It is estimated that large operators, or operators with more than one park, currently own approximately 52% of parks in Queensland. However, as these tend to be large purpose-built residential parks, this likely accounts for a substantially higher percentage of total home sites.

As noted earlier, 55 new residential parks are likely be developed in Queensland over the next 10 years and, of these, around 80% will be owned by large operators. As a result, market concentration is likely to increase.

Large and sophisticated park owners have access to considerable resources, including legal advice and representation. As a result, the gap in market power between park owners and home owners is likely to widen over time.

3.7.6 Barriers to collective action as a means of strengthening market power

The Act encourages and protects the rights of home owners to create a home owners committee, giving home owners some support and collective bargaining power when dealing with a park owner.

By acting jointly in disputes, home owners have the ability to mitigate the disparities in bargaining power between their group and the park owner.

However, not all residential parks have a home owners committee, and for those that do, the role they play in the park may vary, with some committees focusing on advocacy, while others are focused more on community and lifestyle matters.

On this matter, ***Queensland Retirement Village and Park Advice Service*** notes in their submission to the issues paper that while the presence of a capable and motivated home owners committee and access to legal advice and representation can put home owners in a better place to dispute an increase in site rent, this is not enough to create a level playing field between the parties involved.

"The collective bargaining benefit of having a HOC advocating for a group of home owners is limited by the fact that home owners, even in groups, don't have a lot to bargain with. Home owners are generally not in a situation to leave the park if they are unhappy with or unable to afford an increase in site rent and park owners have very little incentive to engage in genuine negotiation.

Often the only option is for home owners to commence long and complicated proceedings in QCAT with the knowledge that they have little likelihood of success. These limitations also apply in disputes where home owners are assisted or represented by legal practitioners. In our experience, the majority of disputes that proceed to the hearing stage of the dispute process are either represented by legal practitioners, or spear-headed by well organised, motivated HOCs comprised of capable members, often supported by peak organisations such as the Associated Residential Parks Queensland".

3.7.7 Issues with renegotiations and variations of site agreements

Site agreements can be altered by mutual agreement of the home owner and park owner, or by QCAT order in accordance with the Act.

As a binding contract, site agreements cannot be unilaterally altered by the park owner. Despite this, there appears to be a misconception that a park owner in a residential park can require home owners to agree to changes to their site agreement in order to remain in the park. Some home owners have indicated that they can feel pressured to enter into new site agreements if requested by the park owner, and do not want to "rock the boat" or cause conflict by refusing.

Problems can also arise when home owners are offered amendments with short-term benefits but potential long term detrimental impacts, without legal or financial advice.

An example of this disparity in knowledge leading to potentially negative outcomes is where a home owner has a CPI-based increase of site rent in their site agreement. In 2022, the annual change in the All-Groups Brisbane CPI was as high as 7.7%, which resulted in large site rent increases and home owner anxiety about ongoing affordability.

In response to this, home owners may request, or a park owner might offer, an amendment to the site agreement to replace the annual CPI increase with a fixed rate of 5% per year instead. As this would lower the increase for the year, the offer may be attractive to home owners. However, the average increase in CPI over the last 5 years was less than 3%, with the Reserve Bank of Australia targeting a medium-term average of 2-3%. Outside of periods of abnormally high inflation, the home owner would be substantially worse off in the long term if they accept the agreement.

Another example is "goodwill offers" from park owners. Home owners have complained to the department about such offers. These goodwill offers have arisen where a park owner provides home owners with a notice of a site rent increase, usually based on a market rent review, for example an increase of 18%. Alongside this, the park owner might provide an offer for home owners to instead accept a lesser increase of 12%. A home owner who accepts the lower offer would have their site rent increased at the lower amount but, as they have agreed to it, are unable to dispute that increase. A home owner who does not agree to the lower offer is able to dispute the increase in site rent but if is unsuccessful, then the higher increase amount of 18% would apply.

This practice is not prohibited by the Act, and from a park owners' perspective this might be an effective and efficient way of fast-tracking a negotiation progress for all home owners across the park. However, from a home owners' perspective, such offers create pressure on them to accept an increase they consider excessive rather than risk receiving an even higher increase.

This problem is amplified where home owners have low confidence in the dispute resolution process and feel there is no realistic prospect of following a dispute through to completion.

3.7.8 Declining standards of park amenity and maintenance

Many home owners have expressed dissatisfaction with the maintenance of amenities and facilities in residential parks, particularly where standards are declining while site rent is increasing. In the 2022 home owner survey, the standard of park amenities and the standard of park facilities were the second and third most common reason for dissatisfaction with living in a residential park.

Most of a park owners' annual profit from a fully developed park is derived from site rent, with only a small percentage of profit (estimated to be 1-5%) from commission on the sale of pre-owned homes.

When a park is under development, park owners are incentivised to offer high levels of amenity, facilities and services as this will drive the sale of new homes which are owned and sold by the park owner.

Once all the homes have been sold, park owners are guaranteed the income from site rent unless a home owner decided to relocate their home out of the park, which rarely happens. This removes the main incentive for park owners to maintain the park to the same high standards that were established when new homes were for sale in the park. This problem could be exacerbated when parks are sold as a going concern to a new buyer who is looking to cut expenses and maximise profits to recoup their investment in the park.

Under s.72 of the Act, a home owner may seek a reduction in site rent where:

- The amenity or standard of the residential park's common areas and communal facilities has decreased substantially since the agreement was entered into.
- A communal facility or service provided at the park when the agreement was entered into has been withdrawn.
- A communal facility or service described in advertising or precontractual disclosure documentation has not been provided.

Disputes on this matter are dealt with using the 3-stage dispute resolution process in the Act which ends in a determination by QCAT where agreement cannot be reached between parties.

In principle, s.72 provides recourse to home owners who feel like the standards of their park have declined over time. However, analysis by the department suggests that this section is not commonly used by home owners despite reductions in park standards being a very common reason for dissatisfaction and a common complaint made to the department.

Home owners may not be aware of their rights to seek a site rent reduction under the Act. However, it is more likely that the complexity of the dispute resolution process, and the low level of confidence home owners have in their issue being resolved, is the more significant barrier.

In their submission to the issues paper, the ***Queensland Manufactured Home Owners Association*** (formerly Associated Residential Parks Queensland) noted the following:

> *"Home owners with concerns about these matters do not see the current provisions of the Act in section 72 as offering them sufficient protection from park owners seeking to cut back on costs by not maintaining standards. A key problem often cited is that the burden of proof lies with the home owner and the difficulty of assembling evidence of substantial decrease in the standard of communal facilities when there are no agreed criteria for what the standards should be or what a substantial decrease in them would look like. It should also be noted that in relation to services, action can only be taken if they are withdrawn rather that the standard of them reduced."*

To deliver improvements on this issue, there may need to be better alignment of the interests of home owners and park owners to incentivise maintenance of amenities and service standards once all homes in the residential park are sold.

Causal factors - leaving a residential park

A home owner who is living in their residential park must comply with the terms of their site agreement. Where a home owner is dissatisfied with how a park is being operated (assuming the park owner is compliant with the agreement and the Act) and they cannot reach a compromise with the park owner, a home owner's main avenue of exerting market power is through their decision to exit the park. In most markets, potential loss of custom would incentivise a trader to improve services and reduce prices.

However, aspects of the regulatory framework, including those which contribute to delayed sales of homes, create impediments to home owners exiting the park and in turn, their capacity to exert market power. This removes the competitive pressures on park owners to improve services and prices, which in turn influences the extent to which site rent increases are appropriate.

3.8 Cause 5: Limited incentives to sell pre-owned manufactured homes

3.8.1 Issue summary

Park owners receive site rent from home owners who are selling their home, even when a home owner is no longer living in the park, but will receive no income from a newly built manufactured homes until it is sold. This incentivises park owners to prioritise the sale of new homes over existing homes, particularly in slower markets where supply outstrips demand. This can contribute to delays in the sale of pre-owned homes, with the extent of the delays also influenced by market conditions.

When park owners are acting as a selling agent for a manufactured home owner, they have potentially conflicting interests between their duty as an agent of the seller, their duty to the buyer and their financial interests as owner of the park. Selling home owners must initiate an assignment of an existing site agreement, but those sellers are often represented by the park owner who has the expertise and drives the process. Assignment can potentially be beneficial to the buyer and could potentially increase the sale value of a manufactured home but may be against the financial interest of the park owner. New site agreements can be used to create upwards pressure on site rent (cause 2) which are then normalised across the park through market rent reviews (cause 3).

3.8.2 Home owners bear most of the risk for the sale of a manufactured home

Manufactured home owners own their home and pay park owners for the right to position their home in the park and make use of common services and facilities. When a home owner's manufactured home is positioned in the park, the home owner is obligated to pay site rent, regardless of whether they are making use of the home or using any facilities or services they are entitled to use under their site agreement.

This can have significant financial impacts on home owners, particularly during vulnerable stages of their life. For example, where a home owner's health requires them to go into aged care, they must continue to pay site rent, while also paying for their aged care, until their home is sold.

Australia's aged-care system allows home owners to pay a refundable lump sum payment (a Refundable Accommodation Deposit, or in lieu of the deposit, a daily rate (Daily Accommodation Payment), or a combination of both. Until a home is sold, home owners will typically need to pay the Daily Accommodation Payment. The combined cost of the Daily Accommodation Payment and site rent may create financial hardship for home owners, particularly where they are on a limited income.

The framework places all the risk of delayed sales on the home owner. However, home owners in these circumstances are often not well positioned to sell their home or voice their concern where the sale of the home is delayed. This can have impacts on the health and wellbeing of home owners and their families.

3.8.3 Lack of incentives on park owners to sell pre-owned manufactured homes

Once all homes in a residential park are sold, the park owner has guaranteed income for every site in the park. This limits the incentive for the park owner to prioritise the sale of homes except to the extent that:

- The park owner is entitled to sales commission where they are appointed under a selling authority to sell the manufactured home.
- The park owner seeks to maintain goodwill amongst home owners.
- The sales process is seen as an opportunity to raise site rent where the buyer agrees to a new site agreement.

Where there are newly developed homes in the residential park, a park owner will not receive site rent for those sites until they are sold and will have liabilities for the construction costs. This creates a financial incentive for park owners to prioritise the sale of these homes compared to homes being sold by consumers.

The ***Alliance of Manufactured Homes Owners***, in their submission to the issues paper state:

> *"The park owners make more money from selling the newer homes and hence they will not promote the on selling of pre-owned homes as they gain less. The only way that the playing field can be levelled is that the park owners are required to inform prospective purchasers of all properties that are available for purchase.*
>
> *There have been many cases of park agents hindering sales by making it difficult for outside agencies to operate within the park. Also, cornering pre-arranged prospective buyers and using their sales tactics to push them to buy a new home over as they say a "second hand"*

home. There are many instances where there has been intimidation and unfair business practices by the park owners and their agents."

In submissions to the issues paper, a number of park owner representatives presented a different assessment. For example, the ***Property Council of Australia*** notes:

> *"The Property Council does not believe that any such incentivisation occurs. It is impossible for the park owner to incentivise the sale of a new home as opposed to a pre-owned home because the home owner:*
>
> - *has control over the sale price – which has significant influence over the sale;*
> - *has control over the presentation of the home; and*
> - *is able to choose whether or not they engage their own selling agent.*
>
> *Additionally, the Act clearly prevents an operator from interfering with a sale.*
>
> *While park owners do make a profit from the sale of new product, there is greater incentivisation in ensuring a full and content community. To suggest otherwise would not have regard to the time and cost of dealing with dissatisfied homeowners and their families and the perception and marketing issues that underpin future interest in their park."*
>
> *"It must be noted that many prospective buyers are attracted to living in a new home. This is no different to preferences exercised by buyers in general residential estates*."

Adverse impacts from park owners prioritising the sale of new homes may be less of a problem in a housing market where consumer demand is high. However, in a depressed market, where sales are slower, there is a greater risk that park owners will first sell the homes that they constructed and own, before assisting home owners with the resale of their homes. The regulatory framework does not provide incentives for park owners to prioritise the timely and effective sale of existing homes.

3.8.4 Conflicts between the duties of the park owner as a developer and sales agent for existing home owner

Park owners have a complex and multi-faceted role in operating a residential park. This includes managing day-to-day operations, maintenance and capital replacement of park assets, enforcement of park rules, community management / dispute resolution, park security, greeting of visitors and purchasers (though the capacity to enter into a site agreement or consent to assignment), providing precontractual disclosure information and acting as a seller for departing home owners. In some circumstances these roles may lead to conflicting priorities that a park owner needs to manage.

Stakeholders have raised concerns that there is conflict between a park owner's role in operating a residential park and their role in facilitating a sale between a buyer and a seller. A park owner will benefit most by maximising the site rent payable by the new home owner (and so, all subsequent owners of that home), while the buyer benefits from a site agreement with no increase to the starting site rent. The sale price of a seller's home is impacted by the cost of site rent, with lower site rents and less onerous terms for increasing site rent likely to increase the sale price of the home.

From this perspective, industry practices create perverse financial incentives for park owners to prioritise the profitable operation of the park over their duties as a selling agent. The latter requires them to facilitate quick and effective sales that maximise the profit of the seller who is paying the park owner a commission to sell their home. This is a problem given the lack of guidance, information, or clear obligation in the Act in relation to the assignment of site agreements.

Home owners with concerns about how their home is being sold can choose to appoint an independent real estate agent, however this may put them at a disadvantage where real estate agents are unable provide the same levels of exposure to the park as the park owner. For example, some park owners have sales offices at the park with information available on the homes being sold by the park owner. There are no requirements in the Act for a park owner to make potential buyers aware of any homes for sale in the park which are not being sold by the park owner. As a result, home owners visiting the sales office may assume that the homes listed are the only homes available.

It is likely that many disagreements between home owners and park owners over the appropriate role of the park owner during the sale of the home could be improved through education and clearer requirements on park owners in the selling process.

Requirements which acknowledge the conflicting duties of the park owner could be helpful as part of a framework to create incentives which align the interests of park owners and sellers in the quick and effective sale of homes.

3.8.5 Perception that park owners may create barriers in the sales process

Home owners and their representatives believe some park owners (or managers) actively hinder the sale of homes. In the 2022 survey of home owners, issues with the park owner or selling agent were identified as the most common reason for a home owner having difficulty selling a home.

Industry submissions on the issues paper largely disagreed that there was a problem with park owners hindering the sale of manufactured homes, noting that a framework already exists to prohibit this behaviour, including penalties for breach.

Conflict can arise where home owners or their selling agent want to bring potential buyers into the park to inspect the home and common areas. Some home owners have expressed concern that they feel like park owners are preventing these visits.

Under the Act, a park owner must not hinder the sale of a home owner's manufactured home. Breach of these provisions is subject to penalties[37]. The Act also prohibits park owners restricting a home owner's visitor unless the park owner has a reasonable excuse, such as if a visitor were interfering with the reasonable peace, comfort or privacy of other home owners.

However, park owners also have an obligation to take reasonable steps to protect a home owner's quiet enjoyment of their site and common areas. An example of a reasonable excuse for restricting visitors is where those visitors are interfering with the reasonable peace, comfort or privacy of another home owner or resident in the park.

Feedback suggests that many home owners are security conscious and sensitive to unknown parties entering the park. Park owners need to exercise judgement in determining what is reasonable. One industry stakeholder suggests that behaviour perceived as hindering may instead be understood as park owners declining to take on the agent's role, or ensuring the community is secure. They note that some external real estate agents are not sensitive to the residential park environment and have directed potential purchasers to a home for sale without

[37] Maximum 200 penalty units, or approximately $28,750 as of 1 July 2022.

escorting the purchaser or have requested the park owner meet with prospective purchasers to undertake inspections.

Home owners have also raised concerns that the sales process may be hindered by restricting home owners from using ‘for sale’ signs to market their homes. The Act only allows home owners to place ‘for sale’ signs at their home where this is permitted by their site agreement. Many home owner submissions focused specifically on this issue, expressing frustration that they are not able to display signs under their site agreement, which they see as an impediment to their ability to sell their home.

Conversely, submissions from park owners were supportive of existing provisions which allows a park owner and a home owner to agree about whether ‘for sale’ signs could be displayed in the park. From the park owners’ perspective, the ability to place restrictions on ‘for sale’ signs are necessary to protect the appearance and amenity of the park which in turn impacts the capital value of homes. Park owners were also of the view that signs were ineffective as a marketing technique, particularly in parks with restricted access and no public thoroughfares. Industry submitters noted that online advertising is now a much more effective way to advertise homes without having any impact on the visual amenity of the park.

3.9 Cause 6: Manufactured home owners are unable to easily exit the park when conditions change

3.9.1 Barriers to exiting a residential park

Once a consumer has purchased a manufactured home and entered into a site agreement, they are required to meet their obligations under that agreement.

A home owner who is unhappy with, or unable to afford, their site rent after an increase has two options: challenging the increase through the dispute resolution mechanisms in the Act or moving out of the park after selling to a buyer who is willing to accept the terms, conditions and price of owning the manufactured home in that residential park.

When a manufactured home is sold, the home owner receives the full sale proceeds minus any administrative costs and the sales commission to the real estate agent, or park owner who sold the home. This may include capital gains where the value of the home has appreciated. This is different to retirement villages where exiting residents will typically pay a percentage of the sale price as an exit fee (but on-going charges in a retirement village are set at cost-recovery with no profit component for the operator).

However, unlike retirement villages, there is no framework for mandatory buybacks which provide a maximum time for a sale to occur. The mandatory buyback framework shifts some risk to retirement village operators since it may result in the operator paying the former resident’s exit entitlement (or buying back a freehold unit) when income from the unit’s sale has not been received. Without such a framework in residential parks, all the risk of a home not selling is carried by home owners.

Additionally, the declining condition of the park or increasing site rent may be impediments to finding a buyer who will take over the seller’s obligations under their site agreement where this no longer represents a good value proposition in the housing market of the time.

Because of this, it can be difficult for a home owner to ‘take their business elsewhere’ where the park or the amount of site rent is no longer acceptable to them.

A number of submissions by home owners expressed concern that they feel powerless to respond to increases in site rent (particularly market reviews) due to factors including not wanting to move their home or dispute the increase due to their age and the complexity of the dispute resolution process. Submitters wrote that they feel captive in their residential park because they cannot realistically relocate their home or sell their home for enough money to afford to buy into alternative accommodation.

The barriers to home owners leaving a park are high, and the prospects of a reduction to a park owner's income from inadequate service delivery is low. This imbalance in the sharing of risk is an impediment to residential parks operating competitively.

3.9.2 Relocating a manufactured home is impractical

There is limited evidence that modern manufactured homes sold by park owners, particularly those in purpose-built parks, are relocated from one location to another.

Another consideration is that in many parks, a significant proportion of a manufactured home's value is due to its location in a residential park and the lifestyle, facilities and amenity available in the residential park. This creates a barrier to relocation as a response to site rent increases, as home owners risk losing a proportion of their investment. A home owner will always be better selling their manufactured home on site within the residential park.

In the event that a home owner did wish to relocate their manufactured home to another residential park, there is limited evidence that there are any sites advertised or available that would be suitable to accommodate the relocation of modern manufactured homes, meaning the home owner may also need to purchase their own land for the home, in addition to the cost of relocation.

Some park owners do not share the view that home owners have limited options available in the case of site rent unaffordability. Park owners have noted that homes are designed to be relocatable, and that once a home is relocated, the home owner is no longer charged site rent.

The 2022 home owner survey asked home owners about their experience of relocating a manufactured home. Less than 1% of respondents indicated that they had relocated a home, and only 1.2% had indicated that they had considered it as an option.

When considering only mixed-use residential parks, the percentage of home owners who had relocated a home or considered relocating their home rose to 1.4% and 2.1% respectively.

Home owners who had relocated their home or considered relocating their home were also asked what the barriers were to relocate their home. The two most common answers were the expense of moving the home and the complicated nature of the process. However, the sample size for this data is very low.

3.9.3 Requirement for vacant possession on termination of a site agreement

Under the Act, a home owner's site agreement may be terminated by QCAT in certain circumstances. This includes where there has been an unremedied breach of the site agreement; assault; wilful destruction of property; the site is being used as something other than as a place of residence; or the home owner's tenant or guest repeatedly interferes with the quiet enjoyment of the residential park by residents.

Where a site agreement is terminated on one of these bases, the home owner will be required to give the park owner vacant possession of the site on or before a specified day. Park owners are not required to provide home owners relocation compensation when a site agreement is terminated for the reasons listed above.

In modern residential parks, a significant part of a home's value is derived from its location in a park, and this value would be lost where the home is removed from the park. A home owner in receipt of a termination order would lose their capacity to sell their home positioned on the site. In these circumstances, the requirement to give vacant possession of the site is inequitable.

In practice, terminations of this kind rarely occur, however the potential for termination contributes to inequality in bargaining power between the home owner and park owner.

3.9.4 Compensation requirements when a site agreement is terminated to use the site for another purpose

A park owner may apply to QCAT to terminate a home owner's site agreement where the park owner wishes to use the residential park land, or part of the park in which the site is located, for another purpose. Where QCAT approves the termination of a site agreement on this basis, QCAT must make an order for the home owner to be compensated for the termination.

Where the home owner intends on relocating the manufactured home, the compensation order may include compensation for the estimated costs of removing the home, the estimated costs for transporting the home and the home owners' effects to another location, the estimated costs of positioning the home at the other location, and anything else the tribunal considers relevant.

Where the home owner intends to dispose of the home, or the home cannot be moved or positioned at another site, the compensation order may have regard to estimated costs of removing / dismantling the home, the cost of moving personal effects, and anything else the tribunal considers relevant.

These provisions give QCAT broad scope to consider relevant circumstances and make orders to ensure fairness to the home owner where their site agreement is terminated.

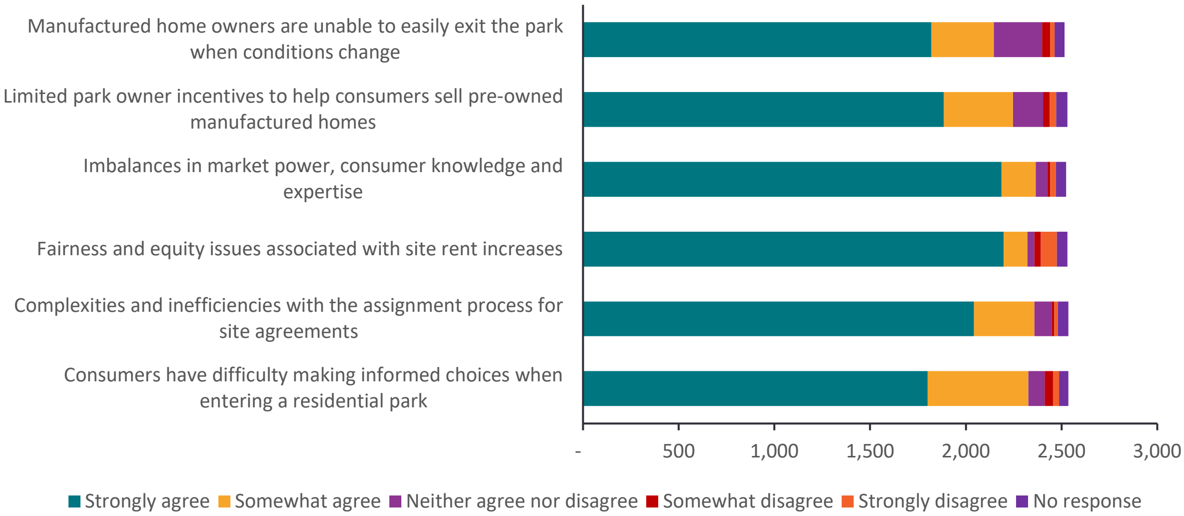
However, these provisions lack clarity about whether home owners are to be compensated for the value of their homes, recognising it is rare for modern manufactured homes to be relocated. This contemporary reality should be more clearly recognised in the legislation to ensure home owners and the significant investments they make in their homes are appropriately protected.

3.10 Feedback on issues and causes

There were a mix of views on issues in residential parks and their causes. Generally, home owners tended to agree with the issues canvassed in the C-RIS. Concerns regarding site rent were prominent for home owners. However, some stakeholders said they had not observed issues with delays in the sale of homes and that many are making a capital gain, potentially influenced by the currently strong conditions in the housing market.

Responses from the feedback form indicates that stakeholders mostly agreed with the causes of the problems identified in the C-RIS.

Figure 20. Views on the causes of issues in residential parks



Most legal advocacy and consumer representative groups agreed with the problems and causes. One stakeholder considered that a cause not identified in the C-RIS was the lack of disclosure of the profit of park owners from the park (in line with what occurs in retirement villages). Another emphasised the barriers and difficulties experienced by home owners in trying to sell their home if rent becomes unaffordable.

Industry representatives agreed on the existence of some issues, but not all, and tended to consider the issues were not as significant as described in the C-RIS. It was noted that problems only exist because of a few park owners in the market, and suggested that not all park owners contribute to the problems.

Some stakeholders considered the issues were overstated given they were based on a survey which they considered was based on a small sample and potentially biased views. The survey provided an evidence base given the lack of other information. The lack of registration requirements for parks limited the information available, and very few parks offered data about matters such as site rent increases in their parks over time.

There were 2,201 survey responses received representing approximately 9.4% of homes, both mixed use and purpose-built parks, a wide range of site rent levels and multiple locations across metropolitan and regional Queensland. It is considered that this is a reasonably representative sample of manufactured home owners in Queensland for the purpose of analysis, notwithstanding the likelihood of selection bias arising from the survey being an opt-in non-random sample.

Chapter 4: Objectives of reform

4.1 High-level policy objectives for reform

Based on the problems identified, the objects of the legislation and the broader policy principles outlined in the Queensland Housing Strategy, reforms are proposed to meet government policy objectives to ensure:

- Residential parks which are fair and transparent
- A legislative framework for residential parks which is contemporary and meets community expectations
- A residential park business model which is sustainable for home owners and park owners

Specific reform objectives under each of these headings were used to guide option identification and assessment in the following chapters. In later chapters, options are scored on the extent to which they help achieve the reform objectives and deliver the greatest net benefit (financially and otherwise) to the community.

Table 10. Reform objectives and problems / causes being addressed

Ensure residential parks are fair and transparent

Reform objectives	Problem to be addressed
Support people purchasing a manufactured home and entering into a site agreement to make an informed decision about the suitability of the site agreement for their financial circumstances and stage of life	Consumers have difficulty making informed choices when entering a park (cause 1)
Simplify the sales and assignment process for the benefit of all parties	Complexities and inefficiencies with the assignment process (cause 2)
Ensure consumers feel confident about their decision to live in a residential park, and with the protections provided by the Act	Low consumer satisfaction measures (See chapter 2.1.5)

A contemporary legislative framework which meets community expectations

Reform objectives	Problem to be addressed
Address differences in market power and ensure risks are appropriately shared between home owners and park owners so that: • consumers receive value for their site rent and their investment in their home is protected • park owners have obligations and incentives to maintain the amenity and	Imbalances in market power, consumer knowledge and expertise (cause 4) Limited incentives to sell pre-owned manufactured homes (cause 5)

standard of facilities in their residential park, and to assist in the resale of homes	
Ensure protections for home owners are not significantly less than those applying to retirement village residents, including to support people needing to leave a residential park to move into aged care if required, or to other accommodation	Manufactured home owners unable to easily exit the park when conditions change **(cause 6)**

A sustainable business model for residential parks for home owners and park owners

Reform objectives	Problem to be addressed
Ensure site rent increases and variations are fair (i.e., predictable, non-volatile, and do not significantly exceed the growth in pensions without this being apparent on entry)	Fairness and equity issues related to increases in site rent **(cause 3)**
Allow park owners to meet the costs of operating and maintaining their residential park and derive a reasonable profit from the park's operation to encourage growth, supply and competition in the industry	N/A – Option identification and regulatory impact analysis balanced against this objective

4.2 Measures of success

An important aspect of regulatory impact assessment is ensuring that reform objectives are specific, measurable and time constrained.

The table below includes specific objectives for improvements that can be measured through future surveys of manufactured home owners and economic analysis of the industry.

Table 11. Measures of success for delivery on policy objectives

Policy objective	Measures of success
Support people purchasing a manufactured home and entering into a site agreement to make an informed decision about the suitability of the site agreement for their financial circumstances and stage of life	• Improvement in satisfaction measures about information available to consumers to make informed decisions
Simplify the sales and assignment process for the benefit of all parties	• Decrease in proportion of manufactured homes taking more than 12 months to sell • Increased satisfaction with the sales process
Promote harmony in residential parks, and ensure consumers feel confident in their decision to live in a residential park and with the processes and protections provided by the Act[38]	• Improvement in the proportion of home owners satisfied that they are protected from unfair business practices • Decrease in disputes
Address differences in market power and ensure risks are appropriately shared between home owners and park owners so that: • consumers receive value for their site rent and their investment in their home is protected • park owners have obligations and incentives to maintain the amenity and standard of facilities in their residential park, and to assist in the resale of homes	• Increase in satisfaction with the process for setting rents • Manufactured homes retain value relative to broader housing markets • Decrease in the proportion of manufactured homes taking more than 12 months to sell

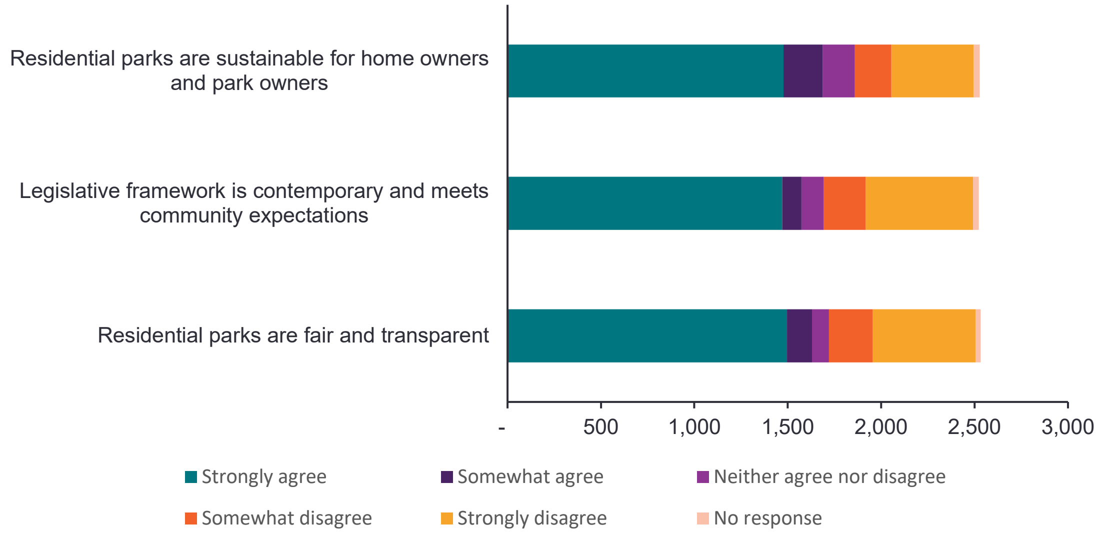
[38] This objective has been amended to reflect feedback from stakeholders on the C-RIS that the objective should include reference to promoting harmony in residential parks.

Policy objective	Measures of success
Ensure protections for home owners are not significantly less than those applying to retirement village residents, including to support people needing to leave a residential park to move into aged care if required, or to other accommodation	• Increased parity in consumer protection across residential parks and retirement villages • Satisfaction rates in manufactured homes are more comparable with satisfaction rates for retirement village residents
Ensure site rent increases and variations are fair (i.e., predictable, non-volatile, and do not significantly exceed the growth in pensions without this being apparent on entry)	• Decline in percentage of home owners whose site rent increase has affected their ability to afford other essential items such as groceries, utilities, transport, medical care or insurance • Decrease in home owners experiencing housing stress • Reduction in the gap between rent increases and the rate of pension growth • Reduction in range of rent increases experienced across the market
Allow park owners to meet the costs of operating and maintaining their residential park and derive a reasonable profit from the park's operation to encourage growth, supply and competition in the industry	• Manufactured homes retain value relative to the broader housing market • Sustainable growth of the residential park industry continues over the next 10 years

4.4 Feedback on objectives

Feedback was sought on the suitability of these objectives, as presented in the C-RIS. Stakeholders were broadly supportive of the objectives. However, some home owners, legal advocacy groups and consumer representatives considered that the objectives could be strengthened to afford greater protections to home owners, given the extent of issues observed for some home owners. One industry representative considered that the objectives could better emphasise the need to achieve harmony in communities by balancing the rights and obligations of both home owners and park owners.

Figure 21. Views on the objectives of reform



Overall, the current policy objectives strike an appropriate balance between the needs of home owners and park owners. They have been amended to also include the value of promoting greater harmony in residential parks. Objectives have been updated to incorporate this, and note that a significant benefit of the reform options is the opportunity to reduce the number of disputes. It is noted that promoting harmony will be a significant focus of the (separate) review of dispute resolution.

Chapter 5: Identifying feasible options for delivering improvements to site rent and sales in residential parks

In chapter 3, the causes of unsustainable and unpredictable site rent increases and delayed sales were considered in the context of a home owner's experience of entering into a park, living in the park and when leaving the park.

This framework has also been used to identify the intervention needed to address the problems. Potential interventions include non-legislative / self-regulatory / co-regulatory options and regulatory responses ranging from low intervention to high intervention are considered in the Table below.

5.1 Responses to problems when entering the park

- Cause 1: Consumers have difficulty making informed choices when moving into a residential park
- Cause 2: Complexities and inefficiencies with the assignment process

Table 12. Feasible regulatory and non-regulatory options for addressing the causes of problems

Non-legislative responses

Response	Likelihood of response to resolve causes and achieve policy objectives
Improved education and information for home owners	**Likely beneficial but not a feasible option for resolving causes and achieving policy objectives** Improved information prior to purchase may have a low-to-moderate impact for prospective home owners. The department produces precontractual educational material; funds a home owner group under the 'Right Where You Live' program; and funds the development and dissemination of precontractual guidance material through the Queensland Retirement Village and Park Advice Service. Precontractual disclosure material was improved in 2017 and includes cautions and recommendations to get precontractual advice. Improved information has had a modest benefit in helping home owners understand their options and advocate for themselves. However, such material has not ensured that home owners are fully appraised of the potential impacts of a decision to buy into a residential park. In terms of improving knowledge about assignment, this option adds more information to an already complex negotiation and decision-making process and may unintentionally increase the level of stress and uncertainty home owners feel during the process. This option may result in home owners who are aware they are not

Response	Likelihood of response to resolve causes and achieve policy objectives
	receiving the most beneficial terms but have no clear pathway to achieve those benefits.
Improve legal advice and support for community legal services	**Likely beneficial but not a feasible option for resolving causes and achieving policy objectives** Home owners receive significant benefits from the Queensland Retirement Village and Park Advice Service. Work to improve the availability and quality of precontractual legal advice available is being progressed. However, this is of limited benefit for existing home owners who are bound by the terms of their site agreement and is unlikely to have sufficient impact to achieve policy objectives in isolation.
Support industry best practice approaches	**Likely beneficial but not a feasible option for resolving causes and achieving policy objectives** An industry best practice working group has been established, comprising the regulator, industry leaders, and home owner group representatives. The group is working to co-design industry best practice guidance and information for home owners, such as guidance for home owner committees, informal dispute resolution and explanatory material about site rent increases. This will help improve practices but cannot resolve fundamental issues of fairness, equity and sustainability or achieve policy objectives in the absence of more impactful options.

Light-touch regulatory response

Response	Likelihood of response to resolve causes and achieve policy objectives
Require residential parks to publish comparison document	**Likely to deliver significant benefits as part of a package for resolving causes and achieving policy objectives** Better access to comparative information will assist prospective home owners to shop around and consider their options prior to meeting with park sales staff. This will also assist existing home owners understand how their parks compare to others and empower them during discussions about site rent increases. These impacts are likely to be low to moderate and will most benefit prospective home owners and home owners with capacity to self-advocate. Unlikely to deliver sufficient improvements to achieve policy objectives in isolation but likely to be a beneficial contribution to a package of reforms. Impact analysis of this option is provided in chapter 7

Response	Likelihood of response to resolve causes and achieve policy objectives
Establish a manufactured homes register	**Resolves a discrete issue raised during consultation but not a feasible option for resolving causes and achieving policy objectives** A more detailed register of residential parks and manufactured homes would likely improve a home owner's capacity to make informed choices when deciding to move into a residential park and to undertake due diligence to establish a seller has the legal right to sell the home. This complements the achievement of the overall policy objectives. To be included as an additional recommendation.
Require disclosure that a seller can assign the terms of their current site agreement at point of sale	**Not a feasible option for resolving causes and achieving policy objectives** Requiring disclosure that a seller may assign their existing site agreement, as well as a requirement to provide a copy of that agreement, would give prospective home owners more information to help make an informed choice when buying a home. However, this would increase the complexity of the sales process and problems would remain, as the seller would retain the option of whether to offer an assignment agreement. Where the seller decided not to offer this, the buyer's option would be to unwind the sale if the difference in terms was significant enough to them to justify this.

Strong regulatory response

Response	Likelihood of response to resolve causes and achieve policy objectives
Limit site rent increases to a prescribed basis	**Feasible option for resolving causes and achieving policy objectives but only for new home owners** Restricting the type of site rent increases that can be included in a site agreement will reduce complexity and enable clearer and more specific disclosure of information. The contribution this would have to the achievement of policy objectives will depend on what bases are prescribed. This could range from prescribing all commonly used bases through to eliminating problematic bases such as market rent reviews. If market rent review is not prescribed as an allowable basis, this could contribute to the achievement of policy objectives. Impact analysis of this option is provided in chapter 7
Allow buyers to opt-in to assignment of an existing agreement	**Feasible option for resolving causes and achieving policy objectives, but likely to achieve inferior outcomes to alternative options**

Response	Likelihood of response to resolve causes and achieve policy objectives
	Under this option, home owners would be able to choose to have a seller's agreement assigned, making use of the information they would receive under the required disclosure option. However, this option would add complexity to the sales process, as purchasers then have to select between two site agreements which may have positive and negative elements. It also would not resolve the concern that assigned agreements may contain out-of-date terms and information.
Require particular terms of a seller's site agreement to carry into the buyer's agreement	**Strong contributor to resolving causes and achieving policy objectives for prospective home owners as part of a reform package** This option has the benefits of the previous option, while simplifying the sales process. Home owners receive a new site agreement but with key terms carried across from the existing agreement. Where the park owner wishes to offer alternative terms, these can be presented to home owners as discrete alternatives as part of a new site agreement. This focuses home owners on matters which will impact the home owner into the future. In isolation, this option provides no benefit to existing home owners and is unlikely to be sufficient to achieve policy objectives but may be an important component in a broader package. Impact analysis of this option is provided in chapter 7

5.2 Responses to issues when living in the park

- Cause 3: Fairness and equity issues associated with increases in site rent
- Cause 4: Imbalances in market power between home owners and park owners

Non-legislative responses

Response	Likelihood of response to resolve causes and achieve policy objectives
Improve information for home owners	**Likely beneficial but not a feasible option for resolving causes and achieving policy objectives** Home owners are bound by the terms of their site agreements. To the extent that site rent increases are unsustainable, unpredictable and include inequitable elements, improvements cannot be achieved through provision of better information once a home owner has signed a site agreement.
Improve legal advice and support for community legal services	**Likely beneficial but not a feasible option for resolving causes and achieving policy objectives**

Response	Likelihood of response to resolve causes and achieve policy objectives
	Home owners experience significant benefits from funding of the Queensland Retirement Village and Park Advice Service. Work to improve the quality of privately funded legal advice is also being progressed. However, this is of limited benefit for existing home owners who are bound by the terms of their site agreement, and the option is unlikely to have sufficient impact to achieve policy objectives in isolation.
Support industry best practice approaches	**Likely beneficial but not a feasible option for resolving causes and achieving policy objectives** While improvements to industry practices around increasing site rent may help reduce dissatisfaction, this is unlikely to be sufficient to achieve the policy objectives.

Light-touch regulatory responses

Response	Likelihood of response to resolve causes and achieve policy objectives
Improve market reviews of site rent	**Feasible option for resolving causes and achieving policy objectives** Process improvements for market reviews of site rent, such as publishing guidance materials, creating a specialist qualification for valuers and giving home owners a greater say in the appointment of a valuer, may help reduce home owner dissatisfaction and alleviate concerns about conflicts of interest. However, it would also place an onus on home owners to self-advocate and involve themselves in the rent review process, which may be difficult and burdensome for some home owners. Impact analysis of this option is provided in chapter 7
Require park owners to develop maintenance and capital replacement plans	**Resolves an important issue which would be beneficial as part of a package for resolving causes and achieving policy objectives** Concerns about declining maintenance and amenity in parks despite site rent increases were a strong theme in submissions and reason for dissatisfaction with living in a park in the 2022 survey. This option is likely to provide benefits by improving transparency and holding park owners accountable for their maintenance and capital replacement obligations but would not achieve the policy objectives in isolation. May be a beneficial contribution in a broader package of options. Impact analysis of this option is provided in chapter 7
Define the CPI index that must be used for CPI based increases	**Likely beneficial but not a feasible option for resolving causes and achieving policy objectives**

Response	Likelihood of response to resolve causes and achieve policy objectives
	Site agreements say which CPI is used in calculations of site rent increases. Different CPIs can have different outcomes, and the impact of this option depends on which CPI is used. The lack of clarity, consistency and "index shopping" could be resolved by a fixed definition required to be used in all CPI-based increases. Defining CPI to be the All-Groups Brisbane CPI would, anecdotally, align operation of the Act with common industry practices. Alternatively, use of the Average of Eight Capital Cities CPI would align site rent increases more closely to increases in the age pension.

Strong regulatory responses

Response	Likelihood of response to resolve causes and achieve policy objectives
Prohibit market rent reviews	**Feasible option for resolving causes and achieving policy objectives** Market reviews are a major cause of disputes, lead to site rent increases that are volatile, are administratively burdensome and are the least transparent and predictable basis for increasing site rent. Historical averages are not a good predictor of future increases and there is no way for home owners to budget for future site rent where they have a market rent review clause in their agreement. Eliminating market rent reviews would contribute to achieving the policy objectives either in isolation, or in combination with other responses by improving the predictability / sustainability of site rent increases and addressing imbalances in market power which disadvantage home owners. The main beneficiaries of this option are existing home owners with market rent review clauses in their agreement. The option may have the consequence of raising starting site rents for new home owners thus reducing site rent affordability for new home owners in the absence of other reforms but would nonetheless improve transparency and predictability. Impact analysis of this option is provided in chapter 7
Require park owners to justify site rent increases above CPI with evidence of actual operating expenses.	**Feasible option for resolving causes and achieving policy objectives** This option is a strong regulatory response as it overrides all existing bases for increasing site rent. Effective operation of this option would require careful design of the regulatory framework and the oversight needed is likely to be significant. The impact on site rents and their predictability would be variable depending on the growth in park operating costs and the extent to which parks pass on expenses to home owners. There is a higher risk of unintended consequences for this option than for other responses. Impact analysis of this option is provided in chapter 7

Response	Likelihood of response to resolve causes and achieve policy objectives
Apply an annual cap on the maximum rent increase allowed	**Feasible option for resolving causes and achieving policy objectives** Applying an annual cap on general rent increases is a strong regulatory response. The impact would vary depending on the level at which the cap is set. If set too low, this option is highly likely to impact industry viability and incentivise park owners to seek special increases in site rent using the framework under the Act for ensuring the operational viability of a park. If set higher than the median rate of increase for parks across the market, the impact is likely to be low for most parks, limiting unusually high increases such as those associated with market reviews of site rent. At a rate of 3.5%, the cap is likely to provide a safeguard from high rates of increase and reduce the potential for unintended consequences associated with other options. By itself, it would likely only deliver significant benefits to a minority of home owners, however the home owners affected would be those most heavily impacted by the status quo. Impact analysis of this option is provided in chapter 7
Limit site rent increases to CPI	**Feasible option for resolving causes and achieving policy objectives** This is a strong regulatory response as it overrides all existing bases for increasing site rents and sets site rents to be indexed in proportion to increases in the CPI. This option could have a substantial financial impact on the residential park industry and creates a risk that park owners will become reliant on the special increase framework. This option would likely achieve most of the policy objectives identified in chapter 4. However, it is possible that those policy objectives could be achieved by a combination of options which carry lower risks for park owners. Impact analysis of this option is provided in chapter 7

5.3 Responses to issues when leaving the park

- Cause 5: Limited incentives to sell pre-owned manufactured homes
- Cause 6: Manufactured home owners are unable to easily leave the park when conditions change

Non-legislative responses

Response	Likelihood of response to resolve causes and achieve policy objectives
Improved education and information for home owners	**Beneficial but unlikely to resolve causes or achieve policy objectives** Improved education and guidance on the sales process may help home owners and their selling agents navigate the process of selling a manufactured home. However, this is unlikely to address the underlying issues of low incentives to sell pre-owned homes or the other barriers to exit in the regulatory framework.
Improve legal advice and support for community legal services	**Not a feasible option to resolve causes or achieve policy objectives** Home owners experience significant benefits from funding of the Queensland Retirement Village and Park Advice Service, and work to improve the availability and quality of private legal advice is being progressed. However, improvements in this area are unlikely to have significant impacts on park owner incentives or in eliminating barriers to exit from the park.
Support industry best practice approaches	**Beneficial but unlikely to resolve causes or achieve policy objectives** Industry best practice could support park owners to meet the needs of home owners in the sale of pre-owned homes but will not address misalignments in incentives.

Light-touch regulatory responses

Response	Likelihood of response to resolve causes and achieve policy objectives
Require residential parks to publish a comparison document	**Indirectly beneficial but unlikely to resolve causes and achieve policy objectives** Better access to information may drive faster sales, and indirectly reduce barriers to exit but is unlikely to resolve causes or achieve policy objectives.
Prohibit limitations on 'for sale' signs	**Unlikely to resolve causes or achieve policy objectives** Minor benefits may be achieved by reducing the degree to which park owners may restrict 'for sale' signs, however as many parks are gated communities, online advertising is likely to be more effective, and these restrictions are in place to maintain the visual amenity of the park. The impact of this response is therefore likely to be minimal and, in some circumstances, may have the opposite of the intended effect.

Response	Likelihood of response to resolve causes and achieve policy objectives
Require park owners to maintain a “for sale” document	**Unlikely to resolve causes or achieve policy objectives** Requiring a park owner to maintain a “for sale” document which outlines all homes in the park currently for sale may have modest benefits in improving the visibility of homes being sold through parties other than a park owner. However, it is unlikely to resolve concerns about the lack of incentives to sell pre-owned homes, reduce barriers to exit, or meaningfully achieve the policy objectives.
Remove cap on sales commission for selling a pre-owned manufactured home	**A potentially feasible option for resolving causes and achieving policy objectives** Removing the sales commission cap on selling a manufactured home could improve the incentive for park owners to sell pre-owned manufactured homes. However, this may exacerbate imbalances in market power and result in higher sale commissions due to the inherent advantages park owners have in selling a manufactured home compared to real estate agents.

Strong regulatory response

Response	Likelihood of response to resolve causes and achieve policy objectives
Reduce site rent for unsold homes	**Potential contributor to resolving causes and achieving policy objectives but unlikely to be effective in isolation** A site rent reduction for unsold manufactured homes would incentivise park owners to sell pre-owned manufactured homes. However, a lower rent return from an unsold pre-owned home will not outweigh the financial gain from selling a new home that is not generating income from rent or providing a development margin until sold. Impact analysis of this option is provided in chapter 7

Response	Likelihood of response to resolve causes and achieve policy objectives
Establish a manufactured home buyback scheme	**A feasible option for resolving causes and achieving policy objectives** A buyback framework comparable to that in the *Retirement Villages Act 1999* would greatly increase park owner incentives to sell pre-owned homes quickly as, after a period of time, the park owner would be required to fund a buyback of the home. This option would also incentivise better park maintenance and amenity as well as more competitive site rent conditions, to drive sales. The strength of this response depends on how it is implemented. To be comparable to retirement villages, home owners would need to provide vacant possession of the home when selling it, which is not common, unlike in retirement villages. The requirement would also only apply to homes which were previously sold by the park owner or a former park owner rather than a home which has been brought on to the site by the home owner or a previous home owner who sold it without the park owner acting as selling agent. Home owners most impacted by delayed sales such as those who have moved into aged care would be most likely to benefit from this framework. A stronger version of this response would apply to all manufactured homes and would not require home owners to give vacant possession of the home while it was on the market. This would significantly increase the regulatory imposition on park owners, which may not be justified by the impact of the issue. Impact analysis of this option is provided in chapter 7

Chapter 6: Options for delivering improvements to site rent increases and sales

6.1 Overview of options considered in C-RIS

The table below contains a brief description of each primary option considered in the C-RIS.

Table 13. Reform options considered in the C-RIS

Option	Description
Option 1: Status quo	• This option would retain existing legislative protections and processes.

Regulatory interventions at the point of moving into a residential park

Option	Description
Option 2: Require residential parks to publish a comparison document	• Parks must prepare a comparison document which is hosted on their website. This allows consumers to compare different parks and options before meeting with a salesperson. <u>Would apply from a date set by proclamation</u>
Option 3: Simplify the sales and assignment process	• This option involves simplifying the process of selling a home, including an updated disclosure process which eliminates the distinction between assignment agreements and new site agreements. • Under this option, all site agreements for prospective home owners will be new agreements with updated terms and information. However, buyers' agreements must carry over prescribed terms (such as site rent) from sellers' agreements. <u>Would apply from a date set by proclamation</u>
Option 4: Limit site rent increases to a prescribed basis	• This option limits site rent increases in new site agreements to bases prescribed by regulation, which may include: ➢ CPI-based calculations ➢ Increase-in-expense based calculations ➢ Fixed percentages • Park owners must use one of the prescribed bases and disclose the basis to home owners, increasing transparency and reducing complexity of future site rent increases. <u>Would apply only to new site agreements</u>

Regulatory interventions while living in the residential park

Option	Description
Option 5: Improve the market rent review process	• This option reduces unfair market rent review outcomes by improving the equity of the market review process. • Under this option the government would establish a specialist valuer qualification for residential park rent determination processes. • Park owners and home owners would jointly appoint a valuer. <u>Would apply to all site agreements with a market rent review clause</u>
Option 6: Prohibit market rent reviews	• Market rent reviews cannot be completed in any residential park after commencement of the required amendments. Market review clauses cannot be included in new site agreements and are voided in existing site agreements. • Where a site agreement includes another basis on which site rent can increase, the market review can be replaced with this basis. • If no other basis is included, site rent may increase based on CPI. <u>Would apply to new site agreements and existing site agreements with a market rent review clause</u>
Option 7: Limit site rent increases to the higher of CPI or a fixed percentage (for example, 3.5%)	• This option requires that future site rent increases are capped at a fixed percentage (e.g., 3.5%). Where CPI is above the fixed percentage, the cap would raise to CPI. • Increases above the cap must be done as special increases in site rent which must be approved by home owners or by QCAT where, without an increase to cover operational or repairs costs, the park would not be financially viable. <u>Would apply to new and existing site agreements</u>
Option 8: Limit site rent increases to CPI	• This option limits future rent increases to CPI, meaning rent would move in line with inflation. This removes the potential for park owners to increase rent based on other factors. • This option also eliminates the need for market rent reviews in all site agreements, further simplifying the process for both park owners and home owners. This option would apply to all existing agreements. <u>Would apply to new and existing site agreements</u>
Option 9: Require expense-based calculation for increases above CPI	• This option requires park owners to justify any increases in site rent based on a proportionate calculation of actual expenses. • To mitigate administrative burden, this could only be required where the proposed increase is above the annual change in CPI. <u>Would apply to new and existing site agreements</u>

Option	Description
Option 10: Require maintenance and capital replacement plans	• This option seeks to address concerns that the value a home owner receives from their site rent can decline where there has been a lack of maintenance and capital replacement in the park. • Parks must prepare a maintenance and capital replacement plan outlining the expected costs of maintenance and capital replacement in the residential park over a forward period of 10 years. • Park owner must set aside money from site rent collected in a trust account to cover maintenance and capital replacement obligations. Would apply from a date set by proclamation

Regulatory interventions in leaving a residential park

Option	Description
Option 11: Establish a limited buyback and site rent reduction scheme for unsold manufactured homes	• This option creates a limited buyback and site reduction scheme for unsold manufactured homes. Home owners can opt in to the scheme when they meet the following eligibility requirements: - The manufactured home was sold new on site by the park owner (or previous park owner) or, if the home was originally moved into the park, the park owner has at one time sold the home on site under a selling authority. - The park owner has had selling authority and has tried to sell the home for at least **6 months**. • Where a home owner opts in to the buyback scheme the park owner and home owner must agree on a sale price for the home. If agreement cannot be reached, the home owner and park owner must engage a registered valuer to set a fair market price. The home owner must vacate the home at this stage and continue to pay site rent, however a 25% discount on site rent must be applied after 6 months where the home remains unsold. • Where a manufactured home is unsold for 12 months after the date of opt-in (**18 months in total after the park owner is appointed under a selling authority**), the park owner must buy the manufactured home. Park owners can seek an extension of time from QCAT where the buyback would cause the park owner undue financial hardship. Where an extension of time is granted the park owner must reduce the site rent for the home by 50%. • The scheme would not change the current rights of a home owner to sell their home themselves or using an agent of their choice, and home owners can choose not to opt in to the buyback scheme. Would apply from a date set by proclamation

6.2 Approach and methodology for impact analysis

6.2.1 Method of analysis

This section provides an overview of the methodology and data utilised for assessing the impacts of the options. Further detail on the methodology is provided in Appendix A.

6.2.2 Data

The primary source of data for the impact analysis was the 2022 survey of home owners which had 2,201 responses. This is statistically significant, accounting for over 9% of home owners. In the absence of relevant survey data, other sources of data were used. These included:

- An economic analysis of the Queensland residential parks industry
- The 2013 survey of manufactured home owners
- Australian Bureau of Statistics data (including data on CPI)
- Other publicly available information (including rent price data from the Queensland Government Statisticians Office (QGSO))

6.2.3 Reform group analysis

To demonstrate the potential impact of each option, survey data for a 'reform group' was analysed and compared to the averages for all survey respondents (the market as a whole). The 'reform group' is a representative cohort of survey respondents whose current situation is most similar to the proposed option. Survey data for this group could be used as a comparison to establish the potential outcome of the reform, relative to the baseline situation for the market as a whole. For example, to identify the impact of limiting site rent increases to CPI, home owners with CPI-only increases in site rent were compared to the overall market.

6.2.4 Cost-benefit analysis

Wherever possible, the costs and benefits of each option on stakeholders has been identified. Where appropriate, the impact on specific cohorts (such as home owners who experience substantially higher rent increases than the market as a whole) have also been identified. Estimation of these impacts are largely based on data collected in the 2022 survey.

6.2.5 Options scored against policy objectives

Certain benefits of options such as fairness, transparency and access to legal rights can be described qualitatively but cannot easily be quantified. To ensure these factors are appropriately considered, each option is scored on the extent to which it will help achieve the high-level policy objectives identified in chapter 4. In summary these were:

- Residential parks which are fair and transparent in their operation
- A legislative framework which is contemporary and meets community expectations
- A business model which is sustainable for home owners and park owners

Options are scored on a scale of -3 to +3 based on its contribution to achieving the policy objectives in comparison to the status quo.

6.2.6 Limitations of the analysis

Lack of information on park expenses

Another limitation was the lack of information from park owners on which to base estimates of park operating expenses. Given the limited data available, the modelling was based on market sounding (of a small sample) and park costs were escalated over the modelling period using relevant subcomponents of CPI and the wage price index, as appropriate for each cost.

However, actual park owner expenses and profit will differ from the estimates, and between park owners. For example, one park owner provided an example of the following estimates of how their expenses have increased over the past 12 months:

- General rates: increased from 9% to 17%
- Water and sewerage charges: increased by 4%
- Electricity: increased from 7% to 26%
- Cleaning: increased from 18% to 36%.

Appendix A provides more detail on the calculation of park owner expenses.

QCAT disputes

The estimate of the benefit of reforms leading to fewer disputes is conservative and does not capture the full suite of costs. This is detailed further in Appendix A.

Chapter 7: Impact analysis of site rent reform options

This chapter contains analysis of the potential impacts of each option as described in the C-RIS, according to the methodology outlined in section 6.2. Impacts have been calculated over 10 years.

The likely impacts of each option (costs and benefits) are outlined and quantified for each of the key stakeholders, and the contribution of each option to achieving the policy objectives is assessed.

The description of options in this chapter reflects how they were described and analysed in the C-RIS. Revisions to the finalised recommendations have been made to a number of reform options, which are described in chapter 9, and in the executive summary.

7.1 Option 1: Retain the status quo

This option makes no changes to the regulatory framework. Analysis of the impact of all reform options are assessed against this base case and assumes that current market conditions for both site rent increases and the sale of homes persist.

Parameters for the base case include:

- 23,500 homes in 203 parks[39], with a further 9,900 homes in 55 parks to be developed over the next nine years (based on economic analysis of the residential park industry).
- On average, residential parks contain 116 homes. However, there is significant variance between mixed-use parks (31 sites) and purpose-built (198 sites).
- Median rent is $188 per week.
- Average park owner expenses per manufactured home are $181/week (calculated based on findings from economic analysis).
- Park owner profit margin growth of 3.9% increasing to 10.1% by 2033.
- Park owner rent revenues at an historical average annual rate of 2.90% (2022 survey)[40].
- Individual expense categories increase in line with the relevant Wage Price Index (WPI) or CPI subcomponents over the past 5 years, at a compound annual growth rate of 2.22% per annum across the duration of the assessment (ABS CPI and ABS WPI).
- On average, resale of homes takes approximately 15.6 weeks (2022 survey).
- 5.0% of existing homes are resold each year[41].
- The cost to government per QCAT dispute is $1,033, with a $367 application fee to home owners and park owners (or $0 for pensioners) (QCAT Annual Report).
- Estimated $7,500 cost of valuation for market rent review, per park per year.
- Legal representation costs estimated at approximately $200-$400 per hour (Legal Vision, 2021).

[39] Based on data from the public register of manufactured homes at the time impact analysis was undertaken. As at 30 June 2023, there were 198 recorded residential parks, with 24,247 sites.
[40] Calculated based on responses from home owners who had lived in the park for 1-5 years and who provided answers to the following questions: site rent when a home owner moved into the park, current site rent, and number of years lived in the park. May be underestimated by 0.10% due to possible inaccuracies in respondent data.
[41] Midpoint of values based on the 2022 survey Q51 (0.9%) and 2013 survey Q9 (9%).

Retaining the status quo will have no impact on residential parks. However, the cost of this option is that the issues identified in the problem definition chapters of this DIAS are likely to compound over time, resulting in further decline in the affordability and sustainability of site rent for some home owners, and reduced satisfaction and lower confidence in residential parks.

7.2 Option 2: Require residential parks to publish a comparison document

This option would require residential parks to prepare a comparison document which is hosted on their website and includes information prescribed by regulation, including the range of site rents payable in the park as well as services, facilities and utilities included in site rent. This allows consumers (prospective home owners) to compare different parks and options before meeting with a salesperson.

7.2.1 Comparison reform group

Reform comparison analysis was not used for this option.

7.2.2 Assumptions of this option compared to the base case:

- 2% reduction in the number of QCAT disputes raised by home owners.
- Increase in annual expenses for park owners by $687 per park ($5.94 per average home owner) during 2023 and by $172 per park ($1.48 per average home owner) during subsequent years.

7.2.3 Achievement of policy objectives

Residential parks which are fair and transparent

This option scores +3 for this objective. Access to comparative information is likely to improve transparency for home owners and assist them to shop around and make informed decisions.

A legislative framework which is contemporary and meets community expectations

This option scores +3 for this objective. This option will more closely align residential parks with the disclosure requirements which apply to retirement villages. Better access to information is likely to drive competition and contribute to improvements in residential park operation.

An industry which is sustainable for home owners and park owners (sustainable)

This option scores +2 for this objective. While this option will not directly impact declining affordability of site rent, better access to information may assist prospective home owners to choose a park where site rent increases are within budget, while also applying indirect downward pressure on site rent through stronger competition.

7.2.4 Impact on home owners

- The park comparison document would improve comparability between parks. This would enhance prospective home owners' decision-making when choosing a park, enabling prospective home owners to select the optimal terms and services for their needs.
- 38% of respondents said they disagree that the Act facilitates disclosure of information about a residential park to a prospective home owner for a site. Home owner satisfaction on this measure is likely to improve under this option.

- Better access to information will assist prospective home owners to make an informed choice about living in a residential park and have a better understanding about how site rents increase.
- As this option applies prospectively, a small initial reduction in disputes is anticipated, which is likely to scale up modestly over time.
- Improvements in accessibility of information for prospective home owners would facilitate quicker decision-making when choosing between parks, or when deciding whether to enter into a residential park, resulting in faster sales. Assuming homes take 5% less time to sell under the option, an incumbent home owner would save rent over this period, from $151 in 2023 to $195 by 2033. The long-run (10-year) total savings applicable to home owners across the market is estimated at $1,626,000 (NPV).
- Incumbent home owners may benefit through an increase in park maintenance and improved facilities, encouraged by greater transparency and increased competition between parks. Since park owners can expect prospective home owners to compare parks based on the park comparison document, park owners may improve amenities to attract new home owners into the park. Where park amenity is improved, home owners may experience an increase in satisfaction compared to the base case.

7.2.5 Impact on park owners

- Park owner profitability can be expected to decrease due to an increase in expenses to prepare and regularly update the park comparison document. This is estimated at $687 per park, or approximately $5.94 per home for preparation of the initial comparison document and at $172 per park or approximately $1.48 per home for annual updates[42]. Spread across each year, this has a very small impact on park owner profitability.
- The reduction in profits is estimated at approximately $1.93 per home or approximately $223 per average park by 2033. This would accumulate to approximately $17 per home and $1,900 per average park over a 10 year period (NPV). Park owner profit margin under this option is estimated to increase from 3.86% in 2023 to 10.08% by 2033. This compares to profit margin growth in the base case from 3.92% to 10.09% over the same period.
- Profitability during the first year may decrease further if the park does not already have a website on which it can host the park comparison document. This may disproportionately impact small parks, which may be less likely to have an existing website. However, this cost is only incurred once and can be expected to have a minimal impact on park owner profitability in the long run. Another factor potentially eroding future profits is the impact from increased transparency over parks. Publicly available information about site rent, service offerings and park restrictions allow home owners to compare parks more easily and may increase competition between parks. Park owners may need to be more careful about site rent increases and may spend more on park maintenance to maintain or improve amenity in the park. These factors may reduce their profits compared to the base case.

[42] The cost of preparing the park comparison document during the first year is assumed to involve 2 days of work (15 hours) and in subsequent years half a day of work (3.75 hours), at the average Queensland full time earnings in the private sector (ABS, 2022a; $46 per hour).

7.2.6 Impact on government

- Implementation of this option for government is expected to decrease the number of disputes going to QCAT. Assuming a 2% reduction in the number of QCAT disputes raised by home owners, the potential benefit in cost savings is estimated at approximately $116 by 2033 and $614 (NPV) over the coming 10 years compared to the base case.
- Better access to park information may also have a small indirect benefit for government by reducing the complexity of investigations and compliance activities.

7.2.7 All stakeholders: market impacts

- Impacts on supply and demand are anticipated to be small, and there is unlikely to be a significant impact on manufactured home purchase prices.

7.3 Option 3: Simplify the sales and assignment process

This option involves simplifying the process of reselling a manufactured home, including an updated disclosure process. It requires all site agreements for prospective home owners to be new agreements, carrying forward the same terms as the existing site agreement (such as starting site rent and the rent increase basis).

7.3.1 Comparison reform group

- The reform comparison group for this option are survey respondents who entered into an assignment agreement compared with respondents who entered into a new site agreement.

7.3.2 Assumptions of this option relative to the base case:

- Turnover is calculated as 5.0% of the stock of existing homes each year, which includes new homes the year after they are developed.
- Homes sell 10% faster (i.e., the average home takes 14.0 weeks to sell, rather than 15.6 weeks), reflecting a modest reduction in resale delays.
- Taking on the beneficial terms of an existing agreement saves the prospective home owner 5.0% in rent at the time they relocate to the manufactured home, while rent increases at a 0.1% slower rate.

7.3.3 Achievement of policy objectives

Residential parks which are fair and transparent

This option scores a +3 for this objective as it directly improves the consistency, transparency and fairness of site agreements.

A legislative framework which is contemporary and meets community expectations

This option scores a +3 for this objective as it reduces the complexity and improves the accessibility of buying a manufactured home while mitigating the chance of home owners agreeing to less beneficial terms than might otherwise be available.

An industry which is sustainable for home owners and park owners (sustainable)

This option scores +2 for this objective as evidence suggests meaningful benefits for home owners resulting from this option. Minor reductions in park profitability are not anticipated to significantly impact industry viability or growth.

7.3.4 Home owner impacts

- The cohort with new site agreements have a median site rent of $195, which compares to $184 for the cohort with assignment agreements.
- Under this option, buyers of an existing home entering into a new site agreement would experience the same benefit as those with an assignment agreement. Buyers of a new home would be unaffected as there are no beneficial terms to carry over. As a result, the site rent paid by incoming home owners is likely to be lower than what it would otherwise be.
- Savings to a prospective home owner who would otherwise have entered into a new agreement with less favourable terms is estimated at $510 in 2024 and increases incrementally each year, to $535 by 2033. The long-run (10-year) total savings to applicable home owners in the market is estimated at $3,661,000 (NPV).
- Prospective home owners who would otherwise have been assigned an existing site agreement will benefit from more clarity, accuracy and transparency in their site agreement. A greater proportion of respondents that entered into new agreements recorded that they either 'somewhat' or 'strongly' agreed that there is a clear and fair process for making, assigning and ending site agreements (33% compared to 27% for those assigned an existing agreement), and that there is a clear and fair process for selling a manufactured home (44% compared to 38% for those assigned an existing agreement).
- Incumbent home owners may benefit from a reduction in rent from shorter sale times, potentially increased sale prices due to more favourable site rent, and from no longer needing to apply to QCAT for an assignment. Assuming homes sell 10% faster under the reform, a home owner could save approximately 10% in rent (with savings increasing incrementally each year, to $390 by 2033. The long-run (10-year) total savings to applicable home owners in the market is estimated at $3,252,000 (NPV).
- There may be considerable time and cost savings for home owners by reduction in disputes around assignment that while unlikely to progress to QCAT, may slow or prevent sales.

7.3.5 Park owner impacts

- Park owners may observe a small decrease in profitability from this option. Rent revenue is expected to continue to increase under the reform, but at a negligibly slower pace.
- Expenses for park owners are expected to be the same under both the base case and reform, increasing at the 5-year historical rate of 2.22%. As a result, park owners should continue to record profits over the period (increasing from 3.9% per home in 2024 to 10.1% per home in 2033); however, the growth in profits is modestly lower than would otherwise occur. The reduction in profits is estimated at approximately $20 per home each year and estimated at $3,200 per park in 2033 (with little change each year over the period). This would accumulate to approximately $18,000 per park and $3,661,000 for the industry within Queensland over a 10 year period (NPV) [43].
- As the long-term impact on park owners is minimal, it is possible park investment on service expenditure such as repairs and maintenance continues as usual. The maintenance of services and facilities benefits both park owners and home owners, allowing a continued level of amenity for home owners and increasing the resale value of homes.

[43] The indirect costs of disputes have not been captured in this calculation or in calculations elsewhere in the chapter, this includes time and effort involved during each stage of the process, which can span over multiple years.

7.3.6 Government impacts

- The implication of this option is a decrease in the number of applications to QCAT for assignment orders. QCAT applications for assignment orders are rare so the cost and benefits for government are anticipated to be negligible.

7.3.7 All stakeholders: market impacts

- The option may result in the transfer of more favourable terms around site rent. This may increase the desirability and subsequent sale price of manufactured homes which is a benefit to incumbent owners and a detriment to prospective buyers.
- As decreases in park profitability are low, the risk that this option reduces the attractiveness of the market when considered against other land uses is low. Therefore, there is unlikely to be a significant change in supply as a result of this policy option.

7.4 Option 4: Limit site rent increases to a prescribed basis

This option limits future rent increases to a range of formulas prescribed by regulation, including (but not necessarily limited to): CPI-based calculations, cost-based calculations, and fixed percentages. Park owners must therefore use one of the prescribed formulas and clearly disclose the formula to home owners, increasing transparency and reducing complexity of future site rent increases. This option eliminates market rent reviews and only applies to new site agreements.

7.4.1 Reform comparison group for impact analysis

The comparison reform group for this option is survey respondents who experienced rent increases under a range of prescribed formulas, including CPI-based calculations or fixed percentages. The reform comparison group simply excludes survey respondents whose rent increases were based on market rent review. Though not applied in the modelling, the comparison group has a median rent of $189, which compares to $188 for the market.

7.4.2 Assumptions of this option relative to the base case:

- Rent increases of 0.09% per annum on average for home owners with new site agreements.
- 2% reduction in the number of QCAT disputes raised by home owners and park owners.

7.4.3 Achievement of policy objectives

Residential parks which are fair and transparent

This option scores +2 for this objective. This option would remove market rent reviews from new site agreements, significantly improving fairness and transparency of site rent increases by ensuring that site rents are increased on a predictable schedule that home owners can budget for. This option would only benefit prospective home owners and would provide no benefit to existing home owners. This option should be combined with other options which provide commensurate protections to existing home owners.

A legislative framework which is contemporary and meets community expectations

This option scores +3 for this objective. This option removes significant variability from future site agreements making it easier for home owners to feel confident in their decisions. As above, this option only benefits prospective home owners and should be combined with protections for existing home owners.

An industry which is sustainable for home owners and park owners
This option scores +1 for this objective. Comparison analysis suggest this option may result in a modest increase in the median site rent for home owners compared to the status quo. However, it is likely to reduce the volatility of site rent increases for new home owners and provide disproportionate benefits to new home owners who would otherwise experience above average rent increases. The normalising effect of this option is thus considered a benefit.

7.4.4 Home owner impacts

- Reduced volatility and potential for significant cost savings for home owners who experience above average rent increases. For example, 46% of the market had annual rent increases larger than that of the comparison reform group median (2.99%). Further, 15% of the market had annual rent increases above 5%, with a maximum rent increase of 45%. The higher an individual's average rent increase, the larger their cost savings under the option.
- A modest increase in the median site rent across the market may result from this option as park owners factor in a price buffer due to the loss of flexibility from market rent reviews. On average, estimated annual rent for the reform comparison group increases by a rate of 2.99% compared to 2.90% for the market.
- Removing the uncertain market review process and less common calculation methods may improve transparency and fairness as well as affordability within the market.
- Comparison group analysis suggests significant qualitative benefits for home owners:
  - Home owners with site agreements reflecting this structure of rent increase (the reform comparison group) had fewer concerns regarding affordability and fairness than the overall market.
  - When asked whether site rent increases have affected home owners' ability to afford essential items (such as groceries, utilities, transport, medical care or insurance), only 26% of the reform comparison group answered 'yes', compared to 41% for the overall market.
  - When asked whether home owners were concerned that living in their residential park would become unaffordable in the future, 10% of the reform option respondents answered 'not at all', compared to only 3% for the market group.
  - Approximately 26% of the comparison group compared to 18% of the market 'somewhat agree' or 'strongly agree' that they are protected from unfair business practices; and 33% of the reform comparison group compared to 18% of the market 'somewhat agree' or 'strongly agree' that there is a clear and fair process for varying site rent.
- Reduction in disputes would benefit home owners through savings in time and money. The overall benefit to home owners is small as this option only affects new home owners but this effect will grow over time.

7.4.5 Park owner impacts

- The implications of implementing this option for park owners is a modest increase in profitability compared to the base case.
- Park owner rent revenues from new site agreements are expected to increase at a faster rate over the period under the option than would otherwise occur, at an average annual rate of 2.99% compared to the historical average of 2.90%.
- The additional increase in profits is estimated at approximately $114 per home or approximately $684 per average park by 2033. This would accumulate to approximately $335 per home and $3,300 per average park over a 10 year period (NPV).
- At the 10 year mark the profit margin for this option is approximately 0.8 percentage points higher than it would otherwise be in the base case.
- There may be a small number of park owners who experience a decrease in profitability compared to previous years. This would only impact park owners who historically deviated from prescribed formulas to determine each rent increase.

7.4.6 Government impacts

- Very small benefit to government based on decreased expenses with a conservative estimate on cost savings at approximately $436 by 2033 and $2,300 (NPV) over the coming 10 years compared to the base case.

7.4.7 All stakeholders: market impacts

- Changes in home owner perceptions and behaviours may impact market forces, influencing demand, supply, and a corresponding improved predictability may drive a modest increase in demand.
- Supply is not expected to change significantly.

7.5 Option 5: Improve the market rent review process

This option reduces unfair market rent review outcomes by improving the equity of the market review process. Under this option, the government would establish a specialist qualification for valuing a residential park for the purposes of site rent increases, and any valuations must be done by a valuer who is qualified and registered with the Valuers Registration Board. Park owners and home owners would jointly appoint a valuer. The government would also develop a market valuation code of conduct, with guiding principles to improve the equity of the market review process.

7.5.1 Reform comparison group for impact analysis

The reform comparison group for this option is survey respondents whose rent has increased based on a market rent review, and who were happy with how the last market review was conducted. Though not applied in the modelling, the reform comparison group has a median rent of $192, which compares to $188 for the market.

7.5.2 Assumptions of this option relative to the base case:

- Reduction in rent increases of 0.23% per annum (based on the comparison group average annual rent of 2.67% compared to the market rent increase of 2.90%).
- 50% reduction in the number of QCAT disputes raised by home owners.

7.5.3 Achievement of policy objectives

Residential parks which are fair and transparent
This option scores a +1 for this objective. Improved safeguards and greater transparency in market rent reviews will help alleviate home owner concerns about bias.

A legislative framework which is contemporary and meets community expectations
This option scores a +1 for this objective. Improved home owner involvement in the market review process may improve consumer confidence and support home owners to enforce their rights. However, it is unlikely to resolve many of the more fundamental issues around market reviews, including home owners' limited bargaining power.

An industry which is sustainable for home owners and park owners
This option scores a +1 for this objective. The reform comparison group analysis suggests a significant financial benefit to home owners from this option compared to other options, however this may be overestimated due to inherent limitations in the methodology. The impact on sustainability for park owners is also a concern due to the potential unintended consequences on the supply of suitably qualified valuers to meet park owner demand.

7.5.4 Home owner impacts

The comparison group for this option includes survey respondents who have market rent reviews in their site agreement and who were satisfied with their last market review.

- Based on the reform group analysis, home owners will benefit from future cost savings through a reduction in rent increases under this option. The estimated average per home owner in annual savings increases incrementally each year, to $219 by 2033. The long-run (10-year) savings to the average home owner in the market is estimated at $413 (NPV).
- The reduction in site rent increases may be overstated as the reform comparison group includes individuals who were happy with how their last market review was conducted. There may be a reverse correlation where home owners who received a lower increase were more satisfied regardless of fairness.
- Home owners are less likely to be dissatisfied with their market rent reviews. However, this impact may be muted where more fair and transparent processes result in higher-than-expected increase amounts.
- Comparison group analysis suggests significant qualitative benefits for home owners:
  - Home owners with rental agreements reflecting this structure of rent increase (the reform comparison group) had fewer concerns regarding affordability and fairness than the overall market as found by the survey.
  - When asked whether site rent increases have affected home owners' ability to afford essential items (such as groceries, utilities, transport, medical care etc), only 23% of the reform comparison group answered 'yes', compared to 41% for the overall market.
  - When asked whether home owners were concerned that living in their residential park would become unaffordable in the future, 8% of the reform option respondents answered 'not at all', compared to only 3% for the market group.
  - 33% of the reform comparison group compared to 18% of the market 'somewhat agree' or 'strongly agree' that they are protected from unfair business practices, and 35% of the reform comparison group compared to 18% of the market 'somewhat agree' or 'strongly agree' that there is a clear and fair process for varying site rent.

- A significant decrease in disputes of approximately 50% is assumed for this option. This equals a cost saving of $0-$367 per dispute depending on whether the home owner is eligible for a fee waiver. This is estimated as a potential benefit to home owners of cost savings of $13,100 by 2033 and $64,200 (NPV) over 10 years compared to the base case, for the entire home owner market.

7.5.5 Park owner impacts

- Based on the reform group analysis, rent revenues for park owners are expected to continue to increase over the period under this option. Rent revenues are expected to increase at a marginally lower pace than would otherwise occur, at an average annual rate of 2.67%. The reduction in rental revenue is estimated at approximately $219 per annum per home or $35,300 per park by 2033. This would accumulate to approximately $413 per home or $47,800 per park over a 10 year period (NPV). This is potentially overestimated due to the limitations of the reform comparison group analysis for this option.
- Park owner profit margin under this option is estimated to increase from 3.9% in 2023 to 8.0% by 2033. At the 10 year mark the profit margin under this option is approximately 2.1 percentage points lower than it would otherwise be in the base case assuming the cost of market valuations remains the same.
- However, this option may have substantial impacts on the availability of registered valuers who are able to undertake market valuations for market rent reviews. Of 1,454 registered valuers in Queensland, there are currently only 19 specialist retail valuers. Assuming a comparable framework was overlaid on registered valuers for residential parks, park owners may be unable to source a suitable valuer to undertake a market valuation, and the cost of a market valuation may rise due to a lack of supply to meet demand.
- As a result, the administrative cost of this option is likely to be significant, with the magnitude of this impact contingent on the complexity and accessibility of specialist valuer qualifications and the barriers this would place on the industry meeting park owner demand.
- Increases in costs could not generally be passed on to home owners under most common bases for increasing site rent.

7.5.6 Government impacts

- There is likely to be a modest cost to government associated with developing an appropriate governance framework, materials and processes associated with an improved market rent review process. Assuming the equivalent work of 1 AO7 FTE for 4 months plus $15,000 for design and publishing, this would equal a cost of $60,000.
- Assuming a 50% reduction in the number of QCAT disputes raised by home owners, the government would also see a 50% reduction in total disputes. The potential benefit to the government in cost savings is estimated at approximately $10,900 by 2033 and $57,600 (NPV) over the coming 10 years compared to the base case.

7.5.7 All stakeholders: market impacts

- To the extent that satisfaction improves, which could increase demand in the short term, current home owners may be less likely to sell their homes, which could decrease supply compared to the base case. An increase in demand not matched by supply could apply upward pressure on manufactured home purchase prices.
- The potential for reduced site rent revenue has the potential to reduce the financial performance of residential parks in comparison to other land uses. This could increase the risk of curtailment of future supply in the market.

7.6 Option 6: Prohibit market rent reviews

This option prohibits all future market reviews of site rent. Market review clauses cannot be included in new site agreements and existing market rent review clauses are voided.

Where a site agreement includes another basis for site rent increase, the alternative basis may be used. Where no other basis for site rent increase exists, site rent may increase on the basis of CPI, or another basis agreed by the home owner and park owner.

7.6.1 Reform comparison group for impact analysis

Reform comparison group 1: Home owners whose site rent only increases by CPI and who do not have a market review. Based on the survey data, the majority of home owners who have site agreements allowing market reviews also have CPI or a CPI plus another component increase in the non-market review years which would become the default increase basis under option 2.

Reform comparison group 2: Home owners who do not have a market review clause, including those whose site rent increases on the basis of a fixed percentage, CPI-based increases (i.e. CPI+X%) and other calculations. This represents the likely impact on a future cohort of home owners where site agreements are designed to accommodate the absence of market reviews of site rent.

7.6.2 Assumptions of this option relative to the base case:

- For site agreements with CPI as the existing basis for site rent increases (or a very small cohort with no other basis for site rent increases), a reduction in rent increases of 0.03% per annum (based on the comparison group average annual rent of 2.87% compared to the base case rent increase of 2.90%).
- For prospective site agreements, or agreements with another basis for site rent increases (not CPI) as the alternative to a market rent review, a rise in rent increases on average of 0.09% per annum (based on the comparison group average annual rent of 2.99% compared to the base case rent increase of 2.90%).
- 70% reduction in the number of QCAT disputes raised by home owners.

7.6.3 Achievement of policy objectives

Residential parks which are fair and transparent

This option scores a +3 for this objective as it decisively resolves most issues related to fairness and transparency of site rent increases raised by home owners, for a large cohort of home owners (approximately 76% of survey respondents' site agreements allowed market reviews). The process, perceived biases, volatility and difficulty of predicting future outcomes are all issues which would be improved by transitioning the industry to more consistent and predictable increase methods.

A legislative framework which is contemporary and meets community expectations

This option scores a +3 for this objective. Removal of market rent reviews is anticipated to significantly reduce the incidence of disputes in residential parks and will reduce complexity for home owners and park owners. Under this option, consumers can feel more confident in their housing decision as they can be assured that site rents are unlikely to increase at substantially higher rates than they predicted due to changing market conditions.

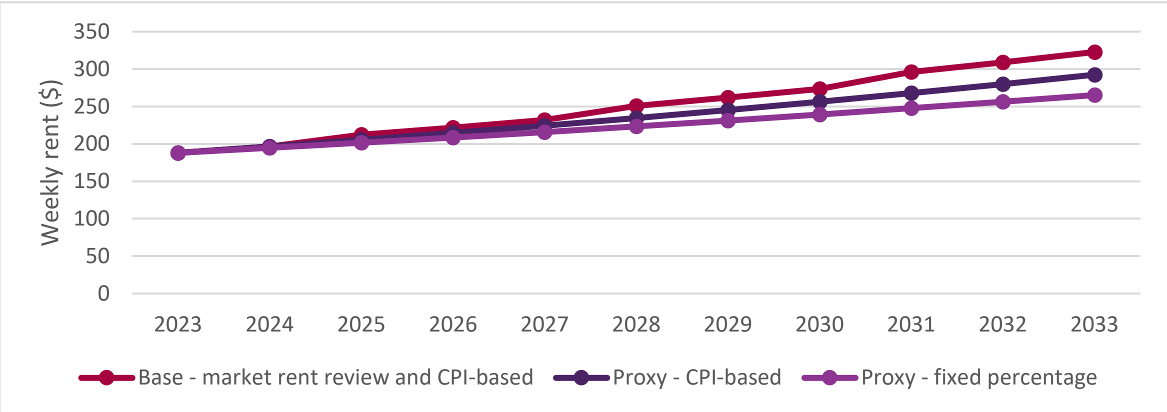
An industry which is sustainable for home owners and park owners

This option scores +2 for this objective. A majority of existing home owners will experience cost savings under this option which will help reduce the rate at which housing affordability declines for home owners. However, in the absence of alternative limitations on site rent, it is possible that this may result in an increase in the annual growth of site rent for prospective home owners. The option is expected to have a moderate impact on park owner profitability. It will not reduce current profit margins but may reduce the rate at which profits increase over the next 10 years.

7.6.4 Impact on home owners

- A large portion of home owners (71% of those impacted by the option) are estimated to benefit from a reduction in rent increases from removal of market reviews and the use of CPI as the basis for future rent increases. The estimated average per home owner annual savings increases incrementally each year, to $35 by 2033. The long-run (10-year) savings to the average home owner in the market is estimated at $104 (NPV).[44]
- Some home owners may benefit from greater savings. For example, 51% of the market rent review cohort had annual rent increases above the CPI comparison group (2.87%). Further, 15% of the market had annual rent increases above 5%, with a maximum rent increase of 45%. The higher an individual's average rent increase, the greater their potential cost savings given a cap of CPI.
- To capture this difference, an indicative base scenario has been calculated assuming a market review every three years and a CPI-based increase in rent for each remaining year, using survey information about the most recent site rent increases for the most common frequency of market review. Two reform scenarios (CPI-based and fixed percentage) which exclude market review are compared to this base scenario in order to estimate home owner savings from a reduction in rent increases from removal of market reviews.

Figure 22. Indicative comparison of status quo against potential reform option scenarios



- Highly volatile rent increases are likely to concern home owners more significantly than steady and more predictable methods. Survey respondents with market review reported their most recent increase in rent rose by a median rate of 7.2%. This amount varies by the frequency of the market review, increasing to 8.2% for market reviews which occur every 3 years.

[44] This is based on a long-run median of past market rent reviews and may underestimate the potential benefits experienced by home owners under this option to the extent that future market review trajectories do not follow historical trends.

- Under this option, increases of this magnitude would be limited, since rent would instead follow a prescribed basis such as CPI, which in comparison only increased by 4.5% for the most recent change in rent. Lower still, the fixed percentage cohort saw rent increase by 3.5% for the same measure. The lower the prescribed basis increase in rent, the higher the expected home owner savings are achieved under this option.
- For prospective home owners, the estimated annual rent increase is 2.99% compared to 2.90% for the base case. Therefore, an unintended consequence of this option is that rent may increase faster (by an additional $111 in 2033) for prospective home owners. The long-run (10-year) additional increase in rent is estimated at $327 (NPV). This is due to the likelihood of a buffer being factored into site rent increase mechanisms to account for the lack of flexibility from not having a market rent review.
- Anecdotal evidence and primary data collection from home owners highlighted concerns around the fairness and affordability of residential parks. Existing processes for increasing rents including market reviews are confusing and subjective, leading to perceptions of unfairness.
- Removing the market review process will improve transparency and fairness as well as affordability. Only 15% of respondents said they were happy with how their last market review was conducted, compared to 60% who said they were not happy (24% did not provide answers). Removing market reviews should therefore increase consumer satisfaction and reduce disputes.

7.6.5 Impact on park owners

- Rent revenues for park owners are expected to continue to increase over the period under the option. However, rent revenues are expected to increase at a marginally lower pace than would otherwise occur, at an average annual rate of 2.87% compared to the historical average of 2.90%.
- Expenses for park owners are estimated to be the same under both the base case and reform, increasing at the 5-year historical rate of 2.22%. As a result, park owners will continue to record profits over the period, however, the growth in profit is expected to be lower than would otherwise occur.
- The reduction in profits is estimated at approximately $35 per home or approximately $4,100 per park by 2033. This would accumulate to approximately $104 per home and $12,000 per park over a 10 year period (NPV). Park owner profit margin under this option is estimated to increase from 3.9% in 2023 to 9.9% by 2033. This compares to profit margin growth in the base case from 3.9% to 10.1% over the same period. At the 10-year mark, the impact of this option on profit margin is approximately 0.2 percentage points lower than it would otherwise be in the base case.
- For new developments, park owner rent revenues for this group may increase at a faster rate over the period under this option than would otherwise occur, at an average annual rate of 2.99% compared to the historical average of 2.90%. The additional increase in profits is estimated at approximately $111 per home or approximately $12,800 per average park by 2033. This would accumulate to approximately $327 per home and $37,900 per average park over a 10 year period (NPV). Park owner profit margin under this option is estimated to increase from 3.9% in 2023 to 10.9% by 2033. This compares to profit margin growth in the base case from 3.9% to 10.1% over the same period. At the 10-year mark, the profit margin from this option is approximately 0.8 percentage points higher than it would otherwise be in the base case.

7.6.6 Impact on government

- The department spends time responding to and investigating complaints made by home owners about unfair market review processes. Under this option, complaints relating to the market review process would no longer occur, saving the department time and money.
- A decrease in disputes lodged by home owners would decrease the total number of disputes assessed and resolved by the government. Assuming a 70% reduction in the number of QCAT disputes raised by home owners, the government would also see a 70% reduction in total disputes. The potential benefit to the government in cost savings is estimated at approximately $4,100 by 2033 and $21,500 (NPV) over the coming 10 years compared to the base case.

7.6.7 All stakeholders: market impacts

- To the extent that satisfaction improves, demand for manufactured homes could increase in the short term while current home owners may be less likely to sell their homes, decreasing supply. An increase in demand not matched by supply could put upward pressure on manufactured home purchase prices.
- The potential for reduced rental revenues could reduce the financial performance of residential parks relative to other land uses. This could increase the risk of curtailment of future supply in the market.

7.7 Option 7: Limit site rent increases to the higher of CPI or a fixed percentage (for example, 3.5%)

This option caps general site rent increases at a fixed percentage prescribed by regulation, for example, “the higher of 3.5% or CPI”.

Increases above the cap (whether this is the fixed percentage or CPI) must be done as special increases in site rent which must be approved by home owners or by QCAT where, without an increase to cover operational or repair costs, the park would not be financially viable.

This cap would apply to existing site agreements. Where the terms of a site agreement provide for an increase less than the cap, than the site rents will increase accordingly.

The effect of this is illustrated with the following examples:

1. If CPI was 5% and the site agreement allowed a 6% increase then the increase would be capped at 5%.

2. If CPI was 1% and the site agreement allowed a 6% increase then the increase would be capped at 3.5%.

3. If CPI was 1% and the site agreement allowed a 2% increase then the increase would occur as normal at 2%.

7.7.1 Reform comparison group for impact analysis

The reform comparison groups for this option are:

- Home owners in the high rent cohort whose average annual rent increase is greater than 3.5%.
- Home owners whose annual rent increase is less than or equal to 3.5%.

7.7.2 Assumptions of this option relative to the base case:

- No impact for 64% of home owners whose median annual rent increases are less than or equal to 3.5%.
- Reduction in rent increases of 1.06% per annum (based on the high rent cohort average annual rent of 4.56% compared to the annual cap of 3.5%) affecting approximately 36% of home owners.
- 10% reduction in the number of QCAT disputes raised by home owners.
- 10% reduction in the number of QCAT disputes raised by park owners.

7.7.3 Achievement of policy objectives

Residential parks which are fair and transparent
This option scores +3 for this objective. This option provides certainty to home owners that a general increase in site rent will not exceed the specified percentage. This ensures home owners can budget for a worst-case scenario (subject to variable CPI levels) when buying and living in their manufactured home.

A legislative framework which is contemporary and meets community expectations

This option scores +3 for this objective. This option is simple, imposes minimal administrative burden and will impact both new and existing home owners without changing site agreement terms. It is anticipated that a maximum site rent increase will improve consumer confidence in residential parks and is likely to reduce disputes.

An industry which is sustainable for home owners and park owners

This option scores +2 for this objective. This option sets a maximum site rent which is above the median growth rate for site rent, but below the rates experienced by the high-rent cohort of home owners. This will have limited impact on an average home owner based on historical rent increase rates but smooths out the volatility on the high end of site rent increases, and provides certainty against significant changes in the broader housing market.

The impact on park owner profitability will depend on how the rent cap compares to the rate of increase allowed under a particular site agreement. Where operating or repair costs would otherwise impact park viability, parks are still able to seek a special increase in site rent to cover those costs, though this is subject to QCAT scrutiny, evidentiary requirements and increased administrative burden for park owners.

It is noted that rent caps can have unintended consequences in some circumstances, by increasing demand and reducing supply resulting in increasing housing prices over time[45]. However, the residential park market is different to the rental market given consumer ownership of the dwelling, the indefinite tenure on the site, the substantial investment home owners make to live in a residential park and the difficulty and expense of leaving. Additionally, park owners benefit financially both from the sale of the home on the site, commission from resale, and from income from site rent.

7.7.4 Impact on home owners

- For most home owners (64%)[46], median annual rent increases within the last 5 years have been less than or equal to 3.5%. This portion of the market would not be impacted by this option.
- However, the remaining 36%[47] experienced average rent increases which were greater than 3.5% p.a. For this cohort of home owners (the high rent cohort), this option would make a significant difference.
- Affected home owners are estimated to benefit from a reduction in rent increases under this option. The median annual rent increases for the high rent cohort was 4.56%, which is 1.06% greater than the rate under the option (3.5%). This average difference in rent increases represents savings that would be achieved under the option for the high rent cohort as a whole. The estimated average per home owner annual savings increases incrementally each year, to approximately $1,500 by 2033. The long-run (10-year) savings to the average home owner in the high rent cohort is estimated at $4,400 (NPV).
- Some individual home owners would benefit from higher cost savings. For example, 28% of the high rent cohort had annual rent increases greater than 6%, with a maximum annual rent increase of 45%. The higher an individual's average rent increase, the larger their savings under a 3.5% cap.

[45] Diamond, McQuade, and Qian, 2019. The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco. American Economic Review, 109 (9): 3365-94. Available at: https://www.aeaweb.org/articles?id=10.1257/aer.20181289 (Accessed: 20 December 2022).

[46] Equates to approximately 15,124 sites based on the department's residential park register and 24,199 home owners based on the proportion of dual occupants from respondents to the 2022 survey.

[47] 8,508 sites

- Over the last 5 years, maximum basic rates of pension have increased by 2.85% p.a. and home owners in the high rent cohort and reliant on the age pension have been experiencing erosion of disposable income. In the absence of a price cap, the full age pension home owners in the high rent cohort would likely experience further erosion of their disposable income over time, with site rent growing from 33.4% of income in 2023 to 39.4% in 2033. Given a cap, this growth would be limited, increasing to only 35.6% in 2033. This means the high rent cohort would benefit from savings worth approximately 3.8% of their full age pension income during 2033 under the option.
- Comparison group analysis suggests significant qualitative benefits for the high rent cohort of home owners:
  - The high rent cohort had more concerns regarding affordability and fairness than those with other rent increases.
  - 47% of the high rent cohort said that a site rent increase had affected their ability to afford essential items (such as groceries, utilities, transport, medical care or insurance), compared to 41% for the reform comparison group.
  - Approximately 15% of the high rent cohort compared to 18% of the reform comparison group 'somewhat agree' or 'strongly agree' that there is a clear and fair process for varying site rent.
- Due to the small percentage of home owners experiencing above 3.5% increases historically, a 10% reduction in disputes has been estimated for this option. This equals a cost saving of $0-$367 per dispute depending on whether the home owner is eligible for a fee waiver, estimated to equal approximately $2,600 by 2033 and $12,800 (NPV) over the coming 10 years for the entire high rent cohort.

7.7.5 Park owners

- A decrease in profitability under this option is indicative only, since the impacted park owners are those who were more likely to charge a higher starting rent than the market. The median weekly site rent for the high rent cohort of home owners is $195 which compares to $188 for the overall market. Therefore, even though the impacted park owners may reduce weekly site rent increases (from a median of 4.56% p.a. to 3.5% p.a.), the weekly rent payments may still be larger than the market, given a higher starting rent value.
- This implies that park owner profits may not decrease as compared to the market, since they are more likely to have a higher profit margin starting point than the market. Any reduction in profits compared to the market are likely to be marginal.
- The park owner profit margin under this option cannot be calculated, given there is no available data on the number of park owners who historically had high rent increases, and who will therefore be impacted by this option. There is also no available data on the number of homes in each of these impacted parks.

7.7.6 Government

- Assuming a 10% reduction in the number of QCAT disputes raised by home owners, the potential benefit to the government in cost savings is estimated at approximately $2,200 by 2033 and $11,500 (NPV) over the coming 10 years compared to the base case.
- However, given a small increase in the number of disputes raised by park owners for special costs, the total reduction in disputes assessed by the government would be modestly lower, reducing the estimated government savings.

7.7.7 All stakeholders: market impacts

- To the extent that satisfaction improves, demand for manufactured homes could increase in the short term while current home owners may be less likely to sell their homes, decreasing supply. An increase in demand not matched by supply could put upward pressure on manufactured home purchase prices.
- The potential for reduced rental revenues could reduce the financial performance of residential parks relative to other land uses. This could increase the risk of curtailment of future supply in the market.

7.8 Option 8: Limit site rent increases to CPI

This option limits future rent increases to CPI in line with inflation.

This option eliminates other increase bases, including market rent reviews and fixed percentage increases and creates a universal methodology for increasing site rent that applies to all new and existing agreements.

7.8.1 Reform comparison group for impact analysis

The comparison reform group is survey respondents with rent increases based on CPI only. The comparison group has a median rent of $183, which compares to $188 for the market.

7.8.2 Assumptions of this option relative to the base case:

- Reduction in rent increases of 0.05% per annum (based on the comparison group average annual rent of 2.85% compared to the market rent increase of 2.90%).
- 70% reduction in the number of QCAT disputes raised by home owners.

7.8.3 Achievement of policy objectives

Residential parks which are fair and transparent

This option scores +3 for this objective. This option is likely to improve the fairness and transparency of site rent increases for new and existing home owners. CPI is an independent and widely used measure of inflation. This ensures that site rent income for the park owner does not decrease in real dollars.

While CPI is not directly predictable for home owners in the short term, home owners can have a reasonable expectation that Australian economic policy will seek to maintain a medium-term average of approximately 2-3%. Additionally, for home owners who receive the age pension, indexation of their age pension against CPI would approximately keep pace with rent increases, maintaining a consistent proportion of income being spent on site rent over time.

A legislative framework which is contemporary and meets community expectations

This option scores +2 for this objective. A consistent framework for CPI-only increases is simple, accessible and easily understood by the majority of home owners. This option significantly reduces the administrative complexity and long-term unpredictability of site rent increases.

An industry which is sustainable for home owners and park owners

This option scores +2 for this objective. Most home owners' primary source of income is the age pension, which is indexed using a range of measures including CPI. Under this option, site rent and a home owners' income would increase broadly in proportion to one another, although there may be differences depending on which CPI index is specified under their site agreement (unless the CPI index to be used is also specified in the Act). Self-funded retirees may be more impacted by high levels of inflation however they are likely to be better off under this option compared to the status quo.

Park owners report that expenses often exceed CPI and, if so, this option may result in reduced profitability for parks in some circumstances. Park owners can seek a special increase in site rent to cover operational and repair costs where the park would not be financially viable without the increase. As a result, parks are unlikely to become non-viable from this option, but may face increasing cost pressures over time. Some developers may be driven to seek a more profitable use of the land which may reduce the long-term growth of the residential park industry.

Additionally, to the extent that CPI-only increases are insufficient to cover park expenses, park owners may need to apply to QCAT for a special increase in site rent to cover operational or repair costs where the absence of such an increase could impact park viability. This may add administrative complexity for parks which require above-CPI rates of increase to maintain viability.

7.8.4 Home owner impacts

- This option will decrease the rate at which site rent increases for the majority of home owners. The estimated average per home owner annual savings increases incrementally each year, to $57 per year by 2033. The long-run (10-year) savings to the average home owner in the market is estimated at $169 (NPV).
- Some individuals would benefit from higher cost savings. For example, 52% of the market had annual rent increases above the CPI comparison (2.85%). Further, 15% of the market had annual rent increases above 5%. The higher an individual's average rent increase, the larger their cost savings would be achieved by a cap of CPI.
- Applying a cap on rent increases and defining that cap with a publicly available data point, such as CPI, would improve transparency, fairness and affordability within the market.
- For home owners who receive an age pension, the option is expected to reduce the increase in housing costs as a proportion of income experienced over the previous 5 years, resulting in a comparative improvement in rental affordability.
- Analysis of the survey data for the comparison reform group suggests there will be qualitative benefits for home owners:
  - The reform group had fewer concerns regarding affordability and fairness than the overall market.
  - When asked whether site rent increases have affected home owners' ability to afford essential items (such as groceries, utilities, medical care etc), only 28% of the reform comparison group answered 'yes', compared to 41% for the overall market.
  - When asked whether home owners were concerned that living in their residential park would become unaffordable in the future, 13% of the reform option respondents answered, 'not at all', compared to only 3% for the market group.
  - Approximately 28% of the reform comparison group compared to 18% of the market 'somewhat agree' or 'strongly agree' that they are protected from unfair business practices, and 38% of the reform comparison group compared to 18% of the market 'somewhat agree' or 'strongly agree' that there is a clear and fair process for varying site rent.
- Disputes over site rent are estimated to reduce by approximately 70% under this option. This equals a cost saving of $0-$367 per dispute depending on whether the home owner is eligible for a fee waiver. There is a potential benefit to home owners of cost savings, estimated at approximately $18,400 by 2033 and $89,900 (NPV) over 10 years compared to the base case, for the entire home owner market.

7.8.5 Park owner impacts

- Rent revenues for park owners are expected to continue to increase over the period under this option. However, this increase is at a marginally lower pace than would otherwise occur, at an average annual rate of 2.85% compared to the historical average of 2.90%.

- The reduction in profits is estimated at approximately $57 per home or approximately $6,600 per park by 2033. This would accumulate to approximately $169 per home and $19,500 per park over a 10 year period (NPV).
- Park owner profit margin under the option is estimated to increase from 3.9% in 2023 to 9.7% by 2033. This compares to profit margin growth in the base case from 3.9% to 10.1% over the same period. At the 10-year mark, the profit margin under this option is approximately 0.4 percentage points lower than it would otherwise be in the base case.
- While profitability is expected to increase for most residential parks, some residential parks may need to seek a special increase in site rent where decreases in profitability impact the park's viability. This could impose additional costs on park owners in time and money, including through negotiations and mediations with related parties (home owners, government, lawyers) prior to the QCAT stage of the dispute resolution process.

7.8.6 Government impacts

- Assuming a 70% reduction in the number of QCAT disputes raised by home owners, the government would also see a 70% reduction in total disputes. The potential benefit to the government in cost savings is estimated at approximately $15,300 by 2033 and $80,700 (NPV) over the coming 10 years compared to the base case.
- This reduction is potentially offset by an increase in disputes initiated by park owners for special increases in site rent to cover operational or repair costs where an increase is necessary to ensure the park can viably meet its responsibilities under the Act.

7.8.7 All stakeholders: market impacts

- To the extent that satisfaction improves, demand for manufactured homes could increase in the short term while current home owners may be less likely to sell their homes, decreasing supply. An increase in demand not matched by supply could put upward pressure on manufactured home purchase prices.
- The potential for reduced rental revenues could reduce the financial performance of residential parks relative to other land uses. This could increase the risk of curtailment of future supply in the market.

7.9 Option 9: Require expense-based calculations for site rent increases above CPI

All site rents can only be increased by either CPI, or an increase which is higher than CPI where this can be justified by an actual increase in park operating expenses. Factors which can be included in a calculation of park expenses would be prescribed by regulation and include costs such as maintenance, repairs, wages and insurance.

Park owners would need to provide details to home owners about how this increase has been calculated along with the notice of site rent increase. To ensure transparency, park owners would need to prepare an annual financial report for home owners and the department which includes income, expenditure and profit and any other items prescribed by regulation.

Home owners can dispute an increase in site rent based on operational expenses where they consider that the increase is unreasonable, inaccurate or misleading.

7.9.1 Reform comparison group for impact analysis

The comparison group for this option captures survey respondents with rent increases based on CPI or CPI plus additional costs and excludes those whose rent has increased based on market rent review. Though not applied in the modelling, the comparison group has a median rent of $186, which compares to $188 for the market.

7.9.2 Assumptions of this option compared to the base case:

- Reduction in rent increases of 0.04% per annum (based on the comparison group average annual rent of 2.86% compared to the base case of 2.90%).
- 30% reduction in the number of QCAT disputes raised by home owners.
- 50% reduction in the number of QCAT disputes raised by park owners.

7.9.3 Achievement of policy objectives

Residential parks which are fair and transparent

- This option scores +3 for this objective as it is likely to improve the fairness and transparency of the process of increasing site rent by ensuring there is a connection between site rent increases and increases in park owner operating expenses (where those expenses would exceed CPI).

A legislative framework which is contemporary and meets community expectations

- This option scores +1 for this objective. Improved transparency may increase consumers' confidence in their decisions and equip them to enforce their rights in the residential park. However, the option relies on home owners interrogating the justifications for site rent increases and dispute these calculations where they are potentially unjustified.
- The complexity of disputes in residential parks may increase as home owners will be required to be more proactive to ensure expense-based increases are calculated fairly and appropriately.
- This option introduces a new principle of cost recovery for rent increases into the Act. Park owners do not currently need to account for how site rent is spent or report their earnings or expenses. This option will increase the amount of information that a park owner needs to prepare and adds administrative burden with costs likely be passed on to home owners.

- This option has the potential for unintended consequences for home owners in parks in need of significant repairs or maintenance, as the cost of repairs may be passed on to home owners and potentially result in higher-than-current increases.

An industry which is sustainable for home owners and park owners

- This option scores a **+1** for this objective. In most circumstances, limiting site rent increases to CPI or an additional amount justified by an increase in expenses, provides a balance between maintaining the relative affordability of site rents for home owners and ensuring park owner income keeps pace with the actual costs of operating a residential park.
- However, this option also reduces the incentives for park owners to operate efficiently as any increase in costs can be passed onto home owners. This may have unintended consequences as, unlike retirement villages, home owners do not have a role in setting the budget for the operation of the residential park. In some circumstances, increases under this basis could exceed the rate of increase under home owners' current site agreements.

7.9.4 Home owner impacts

- Assuming the cost of the development of annual financial reports is passed on to home owners, rent increases under this option are only marginally reduced compared to the base case. In the short term, the reduction in rent increases cannot make up for the increased costs passed on to home owners (see park owner costs below).
- The costs of financial reporting passed on to home owners increases each year along with CPI, reaching approximately $0.77 per home owner per week, or $40 per home owner per year by 2033. From 2023 to 2030, this cost exceeds savings from reduced rent payments.
- In the long run, however, home owners will see net cost savings from reduced rent payments, amounting to $17 per week in 2033. The long-run (10-year) total savings is negative (-$88, NPV) due to the negative impacts during the first 7 years. This net present value eventually becomes positive over a 17-year time frame.
- Some individuals would benefit from higher cost savings. For example, 15% of the market recorded annual rent increases above 5%. The higher an individual's average rent increase, the larger the cost savings that would be achieved under a cap of CPI plus transparent financial information.
- In the absence of reform, full age pension home owners would likely experience further erosion of their disposable income with rent comprising a higher share of pension income over time, growing from approximately 32.75% in 2023 to 32.91% in 2033.
- The option may result in unintended consequences. For parks with significant outstanding maintenance and repair needs, there is the potential for costs to be passed on to home owners resulting in a corresponding increase in site rent.
- The reform comparison group analysis suggests significant qualitative benefits for home owners:
  - Home owners in this comparison group had fewer concerns regarding affordability and fairness than the overall market.
  - Only 29% of the comparison group reported that site rent increases have affected their ability to afford essential items (such as groceries, utilities, transport, medical care or insurance) compared to 41% for the overall market.
  - 10% of the comparison group indicated that they were not at all concerned that site rent may become unaffordable in the future compared to 3% for the overall market.

  - Approximately 27% of the reform comparison group compared to 18% of the market 'somewhat agree' or 'strongly agree' that they are protected from unfair business practices. And 33% of the reform comparison group compared to 18% of the market 'somewhat agree' or 'strongly agree' that there is a clear and fair process for varying site rent.
- As home owners can better understand the reason for each rent increase, they may be less likely to perceive their site rent increase as unreasonable, or dispute that increase. This is estimated to result in a net reduction in disputes by approximately 30% (noting that some home owners may still seek to dispute the way expense-based increases are calculated). This equals a cost saving of $0-$367 per dispute depending on whether the home owner is eligible for a fee waiver, estimated to equal approximately $7,900 by 2033 and $38,500 (NPV) over 10 years compared to the base case, for the entire home owner market.
- However, despite the above, this option may result in an increase in the complexity of disputes and place pressure on home owners to interrogate calculation of expenses resulting in increased dependence on home owner intervention and ongoing negotiation in the site rent increase process. As a result, vulnerable home owners, and home owners in residential parks without an active home owners committee may experience worse outcomes than those with appropriate skillsets. Additionally, to ensure home owners are empowered to engage in the process, additional safeguards and transparency requirements will likely be necessary, increasing the administrative burden on all parties.

7.9.5 Park owner impacts

- Rent revenues for park owners are expected to continue to increase under this option. However, rent revenues are expected to increase at a marginally lower pace than would otherwise occur, at an average annual rate of 2.86% compared to the historical average of 2.90%. The reduction in rental revenues is estimated at approximately $54 per home or approximately $6,300 per park by 2033. This would accumulate to approximately $160 per home and $18,500 per average park over a 10 year period (NPV).
- The per park cost of preparing the required financial assessment is estimated at $4,000 during 2023, increasing each year along with CPI. Over a 10-year time frame, this would amount to approximately $30,700 (NPV). If this expense was passed on to home owners through an increase in rent, then the cost per home would reach approximately $0.77 per week or $40 per year by 2033, and park owner profitability would not be impacted.
- Park owners are likely to pass on the cost of the financial assessment to home owners through an increase in rent. In this case, profit margin under this option is estimated to increase from 3.9% in 2023 to 9.7% by 2033. This compares to profit margin growth in the base case from 3.9% to 10.1% over the same period. At the 10-year mark, the profit margin under this option is approximately 0.4 percentage points lower than it would otherwise be in the base case.
- Under a scenario in which park owners did not pass on the costs of the financial assessment to home owners, park owners would still experience increasing profitability, from 3.9% in 2023 to 9.4% by 2033 under this option.
- Since profits continue to grow and even the long-term impact on park owners is minimal, park investment through park service expenditure such as repairs and maintenance may continue as usual. This maintained quality of services and facilities would continue to benefit both park owners and home owners, allowing a continued level of amenity for home owners, also benefiting park owners through resale value of homes.

7.9.6 Government impacts

- Taking into account the decrease in disputes related to market rent reviews, offset by the potential for disputes on the calculation of expenses, a 30% net reduction in disputes is anticipated.
- The potential benefit to the government in cost savings is estimated at approximately $6,500 by 2033 and $34,600 (NPV) over the coming 10 years compared to the base case.

7.9.7 All stakeholders: market impacts

- To the extent that satisfaction improves, demand for manufactured homes could increase in the short term while current home owners may be less likely to sell their homes, decreasing supply. An increase in demand not matched by supply could put upward pressure on manufactured home purchase prices.
- The potential for lower rental revenues could reduce the financial performance of residential parks relative to other land uses. This could increase the risk of curtailment of future supply in the market.

7.10 Option 10: Require maintenance and capital replacement plans

This option requires parks to prepare a maintenance and capital replacement plan, to be accessible to home owners on request. The plan would outline the expected maintenance and capital replacement costs in the residential park over the next 10 years, and therefore must be updated each year. Parks must set aside money from site rent collected in a trust account to cover maintenance and capital replacement obligations as indicated by the plan.

7.10.1 Assumptions of this option compared to the base case:

- 30% reduction in the number of QCAT disputes raised by home owners.
- Increase in annual expenses for park owners by $15,000 per park[48] ($130 per average home owner) during 2023 and by $7,500 per park ($65 per average home owner) during subsequent years. This assumes that park owners are not already preparing maintenance and capital replacement plans. The costs are likely to be substantially less for parks with best practice asset management in place.

7.10.2 Achievement of policy objectives

Residential parks which are fair and transparent

This option scores +2 for this objective. Home owners receive assurances about the park owner's maintenance and capital replacement commitments, which has the potential to reduce information asymmetry, dispel misunderstandings about park operating expenses and help home owners make informed choices about living in a residential park.

A legislative framework which is contemporary and meets community expectations

This option scores +3 for this objective. Declining park standards and amenity were a common reason for dissatisfaction for home owners in the 2022 survey of home owners.

This option delivers improvements in this area and increases consumer protections by ensuring that parks are establishing clear plans for maintenance and capital replacement in the park, are setting aside money for this purpose and are delivering value for money for the site rent collected from home owners.

This option reduces the need for home owners to apply to QCAT to seek site rent reductions where there is declining amenity in the park, providing clearer and more accessible information and maintaining standards in a park.

An industry which is sustainable for home owners and park owners

This option scores +1 for this objective. This option is not anticipated to directly address declining affordability for home owners but may maintain the value that home owners receive for their site rent. Park owners already have an obligation to maintain consistent quality and standards in their park, however there are no consistency, transparency or quality requirements that apply to these obligations. Where parks do not have a framework for communicating their maintenance and capital replacement plans, the cost of implementing such a framework may be significant.

[48] This amount has been reduced in to $10, 000 in Chapter 9 due to feedback that most park owners would already produce some form of maintenance and capital replacements plan to support the operation of their park.

7.10.3 Impact on home owners

- This option would improve the transparency of financial and other information to provide clarity for home owners about the use of site rent and the level of maintenance in the park. This may assure home owners that their rent is being used to maintain the quality of the park, and that the park owner has a clear long-term plan to achieve this.
- Home owners may also benefit through an improvement in the quality of park maintenance. Park owners may be more proactive in maintaining the park given an obligation to follow a transparent, long-term plan. Especially for parks with poor maintenance, the plan may cause the park owner to commit to a higher standard, knowing that home owners may view the plan. Where the level of maintenance is improved, home owners may experience an increase in satisfaction compared to the base case.
- The lack of clarity and transparency with regard to rental increases has resulted in home owners raising disputes with QCAT. By improving the clarity and transparency of maintenance costs and park owners' use of rent, and increasing satisfaction from improved park maintenance, this option would be expected to result in fewer QCAT disputes. However, and to a lesser degree, improvements in transparency of financial information may result in an increase in disputes lodged by home owners, given more evidence to back claims. This is not expected to exceed the reduction in disputes from improvements in clarity.
- The reduction in disputes filed in QCAT would benefit prospective home owners through savings in time and money. This option was assessed to have a moderate impact on the number of QCAT disputes raised by home owners (see Appendix A), and a 30% reduction in disputes was accordingly applied. Under this assumption, there is a potential benefit to home owners of savings, estimated at approximately $632 by 2033 and $3,100 (NPV) over 10 years compared to the base case, for the entire home owner market.

7.10.4 Park owners

- The implications of implementing this option for park owners is a decrease in profitability as compared to the base case.
- Park owner rent revenues can be expected to be the same under both the base case and reform, increasing at an average rate of 2.90% p.a.
- Park owner profitability can be expected to decrease due to the costs to prepare the maintenance and capital replacement plan each year. It has been estimated that the cost of preparing the maintenance and capital replacement plan during the first year is approximately $15,000, amounting to $130 per average home. It has further been assumed that the cost of updating the plan on an annual basis is approximately $7,500, amounting to $65 per average home.
- The reduction in profits is estimated at approximately $84 per home or approximately $9,700 per park by 2033. This would accumulate to approximately $606 per home and $70,200 per park over a 10-year period (NPV).
- Park owner profit margin under this option is estimated to increase from 2.6% in 2023 to 9.4% by 2033. This compares to profit margin growth in the base case from 3.9% to 10.1% over the same period. At the 10-year mark, the profit margin for this option is approximately 0.64 percentage points lower than the base case.
- In addition to the increase in expenses, under this option, park owners may face an opportunity cost from reserving funds in a trust account. In the absence of the reform, these funds could be invested elsewhere and earn a higher return. Managing the plan may

additionally require regular monitoring and reporting, including comparing the budget to actual expenditure and adjusting accordingly.

- Though profits continue to grow, the short-term impact on park owners is moderate, reducing profit margin by 1.32 percentage points during the first year when the plan is first prepared. However, the long-term impact on park owners is subdued. Given the plan's purpose is to encourage park maintenance, it is anticipated that park investment through park service expenditure such as repairs and maintenance could reasonably be expected to continue as usual if it does not increase as a result of the plan. This maintained quality of services and facilities would continue to benefit both park owners and home owners, allowing a continued level of amenity for home owners, also benefiting park owners through resale value of homes.
- The improved transparency of maintenance and capital replacement in the park may result in time and cost savings for park owners due to a decrease in home owner-initiated disputes, and complaints handling.

7.10.5 Government

- The implications of implementing this option for government is a decrease in the number of disputes to QCAT. A decrease in disputes lodged by home owners would decrease the total number of disputes assessed and resolved by the government. Assuming a 30% reduction in the number of QCAT disputes raised by home owners, the government would also see a 30% reduction in total disputes. The potential benefit to the government in cost savings is estimated at approximately $1,700 by 2033 and $9,200 (NPV) over the coming 10 years compared to the base case.

7.10.6 All stakeholders: market impacts

- The home owner benefits discussed above may improve the attractiveness of manufactured homes, and demand for manufactured homes may increase modestly in the short term.
- Following an improvement in home owner satisfaction, current home owners may be less likely to sell their homes, which could decrease supply compared to the base case. This is not an adverse impact, since many home owners enter parks with an intention to stay as long as possible and are therefore less likely to relocate homes.
- While profit margins are likely to be maintained under this option, a moderate increase in expenses (as a result of preparing and updating the maintenance and capital replacement plan) has the potential to reduce the financial performance of residential parks in comparison to other land uses. This could increase the risk of curtailment of future supply in the market, compared to the base case.
- A potential decrease in supply not matched by demand could apply mild upward pressure on manufactured home purchase prices.

7.11 Option 11: Establish a limited buyback and site rent reduction scheme for unsold manufactured homes

This option creates a limited buyback and site reduction scheme for unsold manufactured homes. Home owners can opt in to the scheme when they meet the following eligibility requirements:

- The manufactured home was sold new on site by the park owner (or previous park owner) or, if the home was originally moved into the park, the park owner has at one time sold the home on site under a selling authority.
- The park owner has had selling authority and has tried to sell the home for at least 6 months.

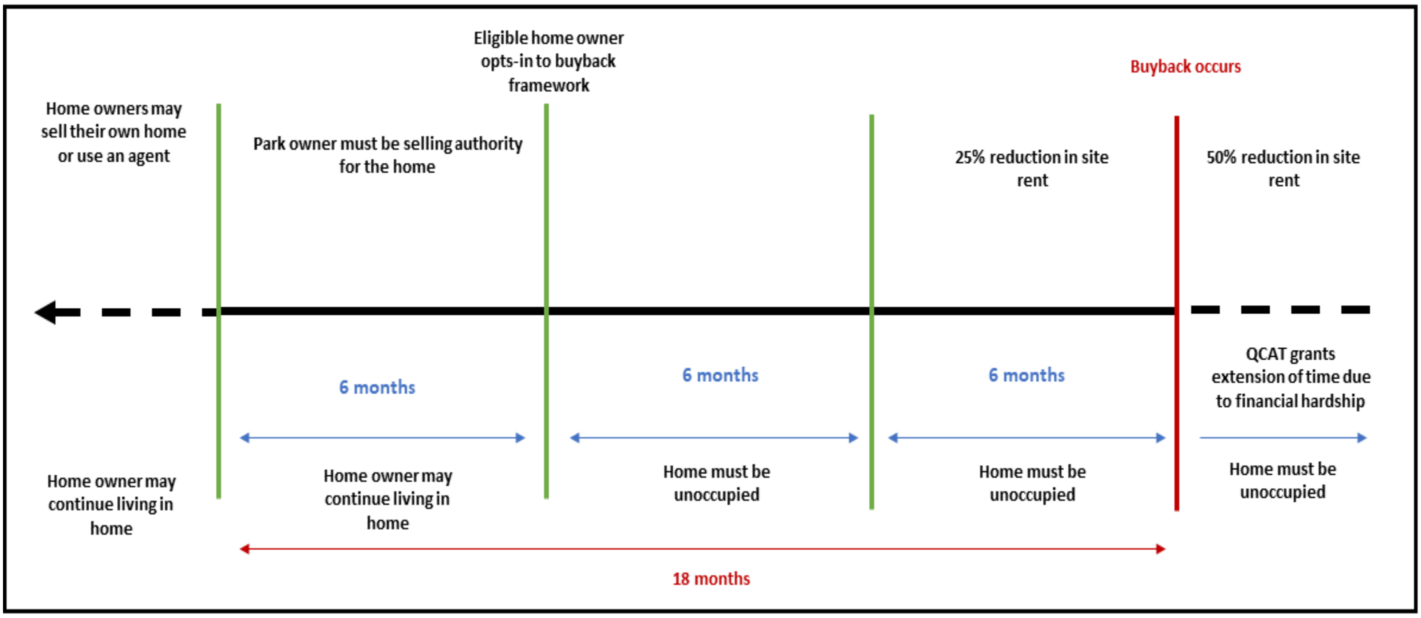
Where a home owner opts in to the buyback scheme the park owner and home owner must agree on a sale price for the home. If agreement cannot be reached, the home owner and park owner must engage a registered valuer to set a fair market price. The home owner must vacate the home at this stage and continue to pay site rent, however a 25% discount on site rent must be applied after 6 months where the home remains unsold.

Where a manufactured home is unsold for 12 months after the date of opt-in (18 months in total after the park owner is appointed under a selling authority), the park owner must buy the manufactured home. Park owners can seek an extension of time from QCAT where the buyback would cause the park owner undue financial hardship.

Where an extension of time is granted the park owner must reduce the site rent for the home by 50%[49].

The scheme would not change the current rights of a home owner to sell their home themselves or using an agent of their choice, and home owners can choose not to opt in to the buyback scheme.

Figure 23. Buyback framework diagram



[49]The 50% reduction of site rent when an extension is granted component of this recommendation is not included in the finalised reform proposal in the DIAS. For more information, see Chapter 9.

7.11.1 Reform comparison group

Reform comparison analysis was not used for this option.

7.11.2 Assumptions of this option relative to the base case:

- Manufactured homes are likely to sell faster under this reform.
- Park owners would face additional costs associated with buying and selling homes they buy back, including a mortgage registration fee ($209), legal and conveyancing fee ($1,600) and marketing costs ($1,250).[50]
- Cost of borrowing of 5.72% per annum.
- Under the base case 9.6% of homes take 6-12 months to sell and only 2.6% of homes take longer than 13 months to sell.
- Average home sale price of $363,740.
- Turnover is calculated as 5.0% of the stock of existing homes each year, which includes new homes the year after they are developed.
- See Appendix A for more information on methodology and assumptions.
- Manufactured homes are likely to sell faster under this option. Two scenarios were considered:
  - Scenario 1: The reform reduces the average time to sell a home. Homes that would otherwise have sold in 6-12 months (9 months assumed on average) now sell in 6.75 months (reduction of 25%, in line with the mandated 25% reduction in rent after a home has remained unsold for 6 months). Homes that would otherwise have sold in more than 12 months (18 months assumed on average) now sell in 16.5 months (reduction of 25% in the 6-month sale time after the 12-month mark).
  - Scenario 2: The reform does not impact the average time to sell a home.

7.11.3 Achievement of policy objectives

Residential parks which are fair and transparent

This option scores +2 for this objective. Home owners can make more informed choices when moving into a residential park knowing that when they need to relocate out of their home due to illness or other reasons, there is a time limit on delays in accessing their equity.

A legislative framework which is contemporary and meets community expectations

This option scores +3 for this objective. This provides some parity with retirement villages, improves confidence in residential parks and better balances the incentives driving business behaviours in residential parks.

An industry which is sustainable for home owners and park owners

This option scores +2 for this objective. This option provides significant benefit to a relatively small cohort of home owners who would continue having to pay site rent for prolonged periods of time when their vacant home remains unsold. This option may reduce park owner profitability however these impacts are potentially offset by the increase in sales commissions from home owners seeking eligibility for buybacks and potential capital gains on the resale of homes.

[50] Costs estimated as at 2022-23 and are increased by an inflation assumption over the period.

7.11.4 Home owner impacts

- The reduction on rent payable on unsold homes by 25% (in the final 6 months) and to buy back homes after 18 months provides an incentive for park owners to prioritise the sale of existing homes as they would be receiving less rental income where a home remains unsold. As a result, home owners are expected to pay site rent for a shorter period, and at a reduced rate.
- Assuming sale times decrease under this option, a home owner could save approximately 12% in rent, with savings increasing incrementally each year, to $466 by 2033. The long-run (10-year) total savings to home owners in the market is estimated at $3,887,000 (NPV).
- Assuming sale times did not decrease under this option, a home owner could save approximately 7% in rent each year, with savings increasing incrementally each year, to $291 by 2033. The long-run (10-year) total savings to home owners in the market is estimated at $2,424,000 (NPV).
- Under this option, owners of eligible homes will pay rent at a reduced rate if homes are not sold within 12 months and to receive funds from the sale of the home at 18 months if not sold earlier. This could facilitate payment for accommodation elsewhere such as the Refundable Accommodation Deposit in aged care, potentially enabling a higher quality of aged care accommodation and savings to be achieved.
- This reform incentivises park owners to maintain the amenity of parks to drive faster sales in the park. Improved maintenance and quality of park facilities will benefit all home owners in the park.

7.11.5 Park owner impacts

- Park owners may experience a decline in profitability from a reduction in rent received while homes remain unsold under this option, and from the requirement to buyback eligible manufactured homes that have remained unsold for at least 18 months.
- There are also risks that the park owner is unable to sell the home in a timely manner. The longer it takes to sell a home, the greater the cost to the park owner in terms of foregone revenue and interest paid on the loan.
- Assuming sale times decrease under this option, the cost of reduced rent income while homes remain unsold would equate to a total long-run cost for all homes unsold of approximately $1,227,000 (NPV) over 10 years, or around $6,000 for the average park (NPV). Assuming sale times remain at current levels, the impacts would equate to a total long-run cost of $1,714,000 or around $8,400 for the average park.
- To sell homes, park owners are also expected to pay a cost to market the homes, estimated at $1,250 per home. Total costs to an average park are estimated at $1,800 over the 10-year horizon, and $357,000 in total for the industry (NPV). Park owners would also face administration costs associated with the home sale, potentially involving staff time to undertake the activities associated with a home sale.
- Where park owners would be required to buy back the home, this would involve costs of administration, legal and transaction costs, and cost of financing the purchase. These costs currently total $1,809 per home and are considered a lower bound as they do not capture the cost of administration for coordinating the sale. The costs equate to $2,500 per park and $516,000 for the market over the 10-year period (NPV).
- There is also a cost to finance the purchase. For this analysis, park owners are assumed to borrow funds to buy a home and repay interest only while homes remain unsold (i.e., for 4.5

months)[51]. At this rate, park owners face a repayment cost of $399 per home per week, based on an average home sale price in Queensland of $363,740. This would equate to approximately $7,800 for the 4.5 months while the home remains unsold. Assuming an average of approximately 0.2 homes are bought back per park per year, a total cost of $1,700 per park could result by 2033. In total over the long run, this totals approximately $9,500 per park and $1,935,000 for the industry (NPV).

- The impact would be more acute in smaller parks, which would tend to have lower reserves available to service this cost. In addition, this cost would be greater where prices of homes are higher. For example, higher cost homes in South East Queensland would require higher cost loans to purchase and the park owner would face a higher interest cost.
- Home owners must appoint the park owner as a selling authority to be eligible for the buyback framework. The additional revenue to the park owner would come from the homes where the park owner would not otherwise have been the agent. This impact equates to additional revenue to park owners of around $10,000 per home that would otherwise be sold by an external agent, based on a sale price of $363,740. Total additional revenue to an average park is estimated at $4,700 over the 10-year horizon, and $957,000 in total for the industry (NPV).
- Park owners are expected to receive less revenue under this option, due to the reduction in revenue received in the final 6 months. In addition, they would face additional costs for the buyback scheme. As such, profits would reduce relative to the base case. The additional costs of buybacks would increase park owner expenses by approximately 0.1%. The reduction in profits to a park owner increase over the period, at $2,900 per park by 2033, totalling $15,000 over the 10-year period to each park (NPV). There is a 1.8% reduction of profit in the base case, noting profit margins are still positive and increase over the period. During 2033, the profit margin is 0.13% lower than the base case.

7.11.6 All stakeholders: market impacts

- This option incentivises home owners to appoint the park owner as their selling authority as this is a prerequisite of eligibility for a manufactured home buyback. This may reduce the competitiveness of external real estate agents as sellers of manufactured homes.
- Demand for manufactured homes may increase. The benefits to home owners of the certainty provided by a buyback scheme and the reduced rent payable while unoccupied homes remain unsold could improve the attractiveness of manufactured homes.
- It is possible that investment in supply may be dampened under this option due to increased costs and reduced growth in profitability for home owners. However, this may be partly offset by the increase in demand for homes due to greater certainty, which would provide a solid foundation for future developments and potential capital gains on manufactured home resales.
- There may be upward pressure on manufactured home purchase prices if an increase in demand for manufactured homes is not matched by supply.

[51] A comparison for the cost of borrowing these funds is the Reserve Bank of Australia lending rate for small business, estimated at 5.72% per annum.

Chapter 8: Initial reform package in the C-RIS

Important

This chapter includes information on a proposed package of options presented in the C-RIS and reflects analysis of these options undertaken prior to community feedback on those options.

For information and analysis on the finalised package of reform options in this DIAS, please see Chapter 9.

8.1 Preferred options in the C-RIS

Chapters 6 and 7 examined potential options for addressing problems related to site rent increases and the sale of homes in residential parks.

For the C-RIS and purposes of consultation, a package of preferred options was identified as delivering the greatest net benefit to the community. Selection of these options included consideration of the costs and benefits of each option for each stakeholder group, the extent to which options achieve policy objectives and address the causes of problems being experienced by home owners, the effect of options in combination, and the extent to which the combination offsets any potential unintended consequences. Further rationale for the selection is outlined below.

The preferred options in the C-RIS were as follows:

- Option 2: Amend the Act to improve precontractual information by requiring park owners to develop and maintain a residential park comparison document that includes information to help prospective home owners compare parks. This document must be hosted on the website for the residential park.
- Option 3: Amend the Act to simplify the sales process by requiring all purchasers of a pre-owned manufactured home to enter into a new site agreement with the park owner with updated terms and information. Home owners must be given an option to adopt prescribed terms of the seller's site agreement (such as site rent amount, and site rent increase basis).
- Option 4: Amend the Act to require that all future site agreements may only increase site rent using a prescribed basis, including CPI, a fixed percentage or a formula which increases site rent in proportion to increases in park operating expenses.
- Option 6: Amend the Act to prohibit market rent reviews, including those in existing site agreements. For existing site agreements with a market review clause, site rent may be increased using any second basis provided for in the site agreement, or by CPI where no other basis exists.
- Option 7: Amend the Act to limit general increases in site rent to CPI or a fixed percentage (for example, 3.5%). Increases above this limit can be undertaken as special increases in site rent which must be approved by home owners or approved by QCAT where QCAT is satisfied that such increases are necessary to cover operational or repair costs.
- Option 10: Amend the Act to require park owners to develop a maintenance and capital replacement plan outlining anticipated maintenance costs and costs for replacement of capital items in the residential park. Park owners must set aside money from site rent in a trust account to meet these obligations in accordance with the plan.
- Option 11: Amend the Act to establish a limited buyback and site rent reduction scheme for unsold manufactured homes. Home owners can opt in to the scheme where the home has been previously sold by the park owner (or former park owner), the park owner has been engaged to sell the home under a selling authority for at least 6 months, and the home is

vacant. Where a manufactured home is unsold for 12 months after the date of opt-in (18 months in total after the park owner is appointed under a selling authority), the park owner must buy the manufactured home. A 25% reduction in rent applies for the final six months of the timeframe.

8.2 Justification from the C-RIS for why the package of options delivered the greatest net benefit to the community

Note: This chapter records the original justification for the package of options proposed in the C-RIS. For details on how this position has been revised in response to community feedback, see chapter 9.

Entering into the park

8.2.1 Why option 2 – Requiring residential parks to publish a comparison document was a preferred option in the C-RIS

Quantitative costs / benefits: This option was anticipated to cost park owners $1,900 per park, or $385,700 across the market over a 10 year period.

The long-run (10-year) total savings to applicable home owners in the market was estimated at $1,626,000 (NPV).

Risk: Low level of risk from a reduction in park owner profitability. The reduction in park owner profitability would depend on the extent to which the park comparison document increases competition among parks.

Qualitative costs / benefits: This option was considered to directly address information asymmetry when a home owner is deciding whether to move into a residential park. This option was modelled on the approach taken in retirement villages, which provides greater consumer access to precontractual information. This option would enable home owners to 'shop around' and compare different parks prior to making a decision and enable decisions to be better informed.

This was considered to be a relatively low-impact option with an establishment cost and modest upkeep costs for park owners, but which would deliver substantial benefits to the community. This option was considered to be likely to improve outcomes related to informed decision-making, consumer confidence and satisfaction.

This option would also provide benefits to park owners who would be better able to use the comparison framework to market, compare and distinguish their parks.

A potential downside of this option is that poorly performing parks could have slower sales for existing home owners where prospective buyers make a more informed choice to purchase in a different park. These downsides were considered to be mitigated by options 3 and 11 below.

Conclusion: The modest quantitative costs of this option to park owners were considered to be significantly outweighed by the quantitative and qualitative benefits to the community as a whole. The extent to which this option contributes to achieving the policy objectives justified its inclusion in the preferred package of reform options in the C-RIS.

8.2.2 Why option 3 – Simplify the sales process was a preferred option in the C-RIS

Quantitative costs / benefits: This option was anticipated to reduce the growth of park owner profitability by approximately $3,661,000 compared to the status quo over a 10 year period.

An equivalent benefit ($3,661,000) would be experienced by prospective home owners through the carrying over of more beneficial site rent terms. This is neutral to the community as a whole but results in a transfer of benefit from park owners to home owners.

The long-run (10-year) total savings from faster sales was estimated at $3,252,000 (NPV). However, this is unlikely to be additional to the benefits experienced from options 2 and 11 as there is likely to be diminishing returns on reductions in sale times from cumulative improvements to the legislative framework.

Risk: Low level of risk from a reduction in park owner profitability.

Qualitative costs / benefits: This option was considered to make it easier for home owners and park owners to buy and sell homes and reduce the complexity of the sale process through improving the assignment processes in the Act.

Combining this option with option 2 was considered to be beneficial, as it would result in a net reduction in administrative burden on park owners and a simpler and easier to understand process for home owners. Requiring park owners to carry over key terms of existing site agreements into new site agreements addresses the lack of incentives on park owners to carry forward terms that benefit selling and purchasing home owners. This addresses the risk faced by selling home owners of a park owner seeking to impose less beneficial terms on the new home owner.

This option also addresses a site rent increase problem caused when the starting site rent (which sets the 'market price' for the whole park) is increased when a site agreement is assigned from an existing home owner to a new home owner.

Conclusion: This option was anticipated to deliver a net benefit across the market, with benefits from faster sales and a transfer of benefits from park owners to home owners, the costs of which were primarily due to reducing inefficient consumer behaviour that arose from the complexity of the sales process, and potential conflicts of interest.

The net quantitative benefits, the significant qualitative benefits, and the extent to which this option achieves the policy objectives justified its inclusion in the preferred package of reform options in the C-RIS.

8.2.3 Why option 4 – Limit site rent increases to a prescribed basis was a preferred option in the C-RIS

Quantitative costs / benefits: This option was considered to have negligible quantifiable costs and benefits for the community.

Risk: Negligible levels of risk identified.

Qualitative costs / benefits: This option was considered to benefit the community by simplifying the framework for rent increases by limiting the ways rent can increase to a limited set of bases. This will reduce complexity and support consumer understanding of site agreements.

This option creates, in combination with options 2 and 3, a framework for home owners to make more informed choices through access to clearer, simpler information and encouraging improvements in industry practice. While these options are severable, the combination of options will deliver the greatest overall community benefit.

Conclusion: The negligible costs and qualitative benefits of this option justified its inclusion in the preferred package of reform options in the C-RIS.

Living in the park

Rationale for consideration of options applying to this stage

These options were aimed at addressing unsustainable, unpredictable and volatile site rent increases and their impact on home owners' cost of living and housing security.

In Chapter 3, problems with market rent reviews were identified as a major cause of unpredictable and volatile site rent increases. Resolving these problems is an important component of the reform package and some high-scoring options focussed on addressing this issue, including options 5, 6, 7, 8 and 9. The reform package sought to improve the fairness, predictability and consistency of site rent increases to ensure home owners are able to make informed choices. A goal of the reform package was to reduce the extent to which site rents decline in affordability for home owners, particularly where this is not readily foreseeable. It was also important to ensure reforms do not limit innovation or prevent park owners from meeting demand for higher-end retirement living experiences to consumers who can afford it.

It was considered unlikely that non-regulatory measures, nor improvements at entry or departure in the consumer journey will be sufficient to deliver the desired improvements for home owners. As a result, stronger regulatory interventions were identified as necessary (for more information see chapter 5).

Feasible options for this stage are largely independent and incompatible with one another due to overlapping or inconsistent components. For example, option 5, which improves the market rent review process, is incompatible with any options which would prohibit market rent reviews, such as options 6, 8 and 10.

Some options including option 6 (prohibit market rent reviews), option 7 (cap general rent increases) and option 8 (limit site rent increases to CPI) scored highly on the achievement of policy objectives, each receiving a score of 7/9.

Of these options, option 8 (limit site rent increases to CPI) was considered to be the most interventionist and highest risk as it overrides existing increase bases and sets increases to be broadly in alignment with increases in the age pension. This had the greatest impact on sustainability of site rent for home owners but curtails some park revenue models and future innovative models. For example, a residential park may offer facilities and services, the cost of which increases faster than CPI, and some home owners may make an informed choice to pay a more rapidly increasing site rent in exchange for those amenities. This may result in impacts beyond what is necessary to address the main causes of unfair site rent increases. Consequently, this option was not selected as part of the preferred package of options in the C-RIS.

Option 9: Expense-based calculations for increases exceeding CPI could be considered a modification of option 8. Impact analysis identified the potential for unintended consequences for home owners in parks needing significant repair. Under this option, home owners could be worse off where costs outstripped their site rent increases and were passed on to home owners. This option may also increase disputes over the attribution of costs and depends on vulnerable home owners using dispute resolution processes to challenge increases they believe are excessive. As a result, this was not identified as a preferred option in the C-RIS.

8.2.4 Why option 6 – Prohibit market rent reviews was a preferred option in the C-RIS

Quantitative costs / benefits: The long-run savings to the average home owner from reduced site rent was estimated at $104 per site over 10 years. This equals $3,508,024 assuming 10,000 additional sites (33,731 total) over the next 10 years.

An equivalent cost is experienced by park owners from reduced growth in profitability over the next 10 year period. This cost to park owners was estimated to be offset by a cost savings of approximately $4,360,500 over 10 years from the reduced cost of market valuations[52].

For new sites, prospective home owners may potentially experience higher site rent amounts, as the absence of market rent reviews is factored into site agreements. If not accounted for, this could potentially exceed the benefits of this option. However, the impact of this was mitigated by the inclusion of option 7 below.

Risk: Risk for park owners ranges from low to moderate depending on the circumstances of the residential park and the alternative basis included in the site agreement. Risk is higher for site agreements which would default onto CPI-only agreements, and lower where the alternative is a higher fixed percentage.

Qualitative costs / benefits: This option was considered to directly addresses problems including unfair site rent increases and imbalances in market power between park owners and home owners. Market reviews are the leading cause of disputes, are highly volatile compared to other bases, and are unpredictable for home owners and park owners as they are based on subjective assessments of parks and market conditions. It is unlikely that improvements to the process will be effective in addressing imbalances in power between home owners and park owners, and the intervention necessary to make the process fair outweighs the benefits and may have unintended consequences on the cost of engaging valuers.

Prohibiting market rent reviews achieves the policy objectives while allowing more predictable increase bases to continue, ensuring residential parks can be innovative. This is the lowest level of intervention required to achieve the policy objectives and deliver a fair and balanced system for increasing site rent.

Conclusion: This option was considered to result in a redistribution of quantitative costs and benefits from park owners to home owners which was offset by significantly reduced administrative costs for park owners associated with acquiring market valuations and fewer disputes.

The net quantitative benefits, the significant qualitative benefits, and the extent to which this option achieves the policy objectives justified its inclusion in the preferred package of reform options in the C-RIS. However, it was considered that mitigations (option 7) were needed to ensure prospective home owners were not negatively impacted by this option.

[52] Estimate based on assumed number of future parks (255) x 76% of parks including market rent review clauses x 3 market reviews over 10 years x market valuation cost of $7500 per valuation.

8.2.5 Why option 7 – Limit site rent increases to CPI or a fixed percentage (for example, 3.5%) was a preferred option in the C-RIS

Quantitative costs / benefits: The long-run savings to the average home owner in the high rent cohort (approximately 36% of home owners) from reduced site rent was estimated at $4,400 over a 10 year period. This equals $53,429,904 assuming 10,000 additional sites over the next 10 years[53].

An equivalent cost is experienced by park owners from reduced growth in profitability over the next 10-year period.

These costs and benefits are unlikely to be additional to those of option 6 as there would be overlap in their effect for the high rent cohort of home owners resulting in a likely outcome which is less than their combined costs / benefits.

Risk: This option was considered to have a medium risk to long term park owner viability depending on future economic conditions. Risk arises from the presence of a price cap, which may lead to an inefficient allocation of resources in the long run. The option may result in site rents in the lower end of the market rising to meet the level of the cap.

This risk was considered to be mitigated by the cap being the higher of CPI or a fixed percentage to account for high periods of inflation. Additional risk was considered to be mitigated by maintaining the special increase framework for increases above the cap.

Qualitative costs / benefits: A potential unintended consequence of option 6 identified through comparison group analysis is the potential for site rents to increase for new consumers entering the market, as park owners factor in the loss of market rent reviews into the terms of their site agreement. However, feedback suggests that many home owners are not able to understand the consequences of the site rent increase bases in their agreements, particularly when dealing with complex formulas or combinations of variable and fixed elements such as CPI+X%. Such formulas have the potential to result in excessive site rent increases for home owners, which can be similar to, or worse than, market rent reviews over the long term and so can erode affordability and housing security for these home owners. Home owners experiencing annual rent increases of 10% or higher are of particular concern, though lower rates which are above the growth in home owners' income can also have negative impacts.

Most parks keep the annual growth in site rent at reasonable levels, with a median compound annual growth rate of approximately 2.9% over the previous 5 years, however there is insufficient protection for home owners subject to excessive rates of increase. To mitigate potential unintended consequences of option 6, a more general framework to reduce the volatility of site rent increases was considered a necessary aspect of the preferred package of options in the C-RIS.

Option 7, which places a maximum level on an annual general site rent increase (for example, 3.5%), was considered to be the most simple and effective way of achieving this outcome. A cap set above standard industry levels of increase would not affect the majority of home owners or park owners but addresses volatile and potentially excessive increase bases other than market rent reviews. The level of the cap is subject to feedback but for the purpose of impact analysis, was assumed to be 3.5%.

[53] Estimated number of sites (33,731) x 0.36 (percentage of cohort effected) x $4,400 (benefit).

This limit would apply to general increases in site rent, which means that where park owners propose an increase greater than the fixed cap, this would need to be done as an increase in site rent to cover a special cost in accordance with s.71 of the Act (a special increase). Under s.71, a park owner may propose a special increase in site rent where approved by home owners to cover a repair cost, an operational cost, or an upgrade cost. Where home owners do not approve a special increase for an operational or repair cost, the park owner may use the dispute resolution processes in the Act and seek approval from QCAT for the increase. In such a case, QCAT must be satisfied that without the increase, the park would not be financially viable without significantly reducing the park owner's capacity to carry out the park owner's responsibilities under the Act.

In this sense, the cap is a threshold after which additional requirements apply to ensure home owners are protected from unfair business practices and that the increases can be reasonably justified by operational requirements.

By making the cap the higher of CPI or a fixed percentage, potential unintended consequences of this option would be avoided during (historically rare) periods where CPI is above 3.5% that would otherwise result in an effective decrease of site rent in real terms.

A maximum threshold for general site rent increases delivers benefits in consistency, fairness and predictability for home owners without limiting park owners' capacity to operate, innovate, and target different segments of the housing market. Flow-on benefits would include increased consumer confidence in residential parks and improved long-term demand resulting in a benefit to the residential park industry.

Park owners could continue to set site rents at any level they believe is competitive for the amenity and service they are offering. However, this must be done at the point of establishing the park, selling the homes within it, and establishing the base site rent including the proportion of profit derived from site rent.

Conclusion: While the majority of parks and home owners are unlikely to be impacted by this option, this option was considered to represent a sizable redistribution of benefits to the subset of home owners who experience significantly higher than median site rent increases. This option limits higher-than-average profitability growth for these parks, and benefits home owners who are currently most negatively impacted by the status quo.

This option was considered to be an important component in offsetting unintended consequences of option 6 which could result in large increases in the base site rents for new home owners. It was considered to deliver substantial qualitative benefits by providing an upper limit on rent increases to stabilise the market and reduce volatility which can disproportionally impact housing security for low-income households.

The combination of options 6 and 7 were considered the minimum viable regulatory response to achieve the policy objectives, while imposing lower risk, regulatory intervention and cost than option 8 which would more strongly curtail site rent increases across the whole market, and also reduce flexibility for business innovation.

8.2.6 Why option 10 – Require maintenance and capital replacement plans was a preferred option in the C-RIS

Quantitative costs / benefits: The cost to park owners was estimated at approximately $15,000 per park for establishment and $7,500 per park in subsequent years. This would accumulate to approximately $70,200 per park over a 10 year period (NPV). This equalled a cost of approximately $14,250,600 over 10 years for the market as a whole.

Quantitative benefits to home owners include the potential for increased home values / capital gain on the sale of their homes; however, this could not be reasonably estimated. Feedback on the benefits for home owners on this option was encouraged.

Risk: Medium level of risk from a reduction in park owner profitability.

Qualitative costs / benefits: An issue commonly raised by home owners responding to the issues paper was the lack of transparency in how site rents are being spent on maintaining the park, and home owners experiencing declines in park amenity while site rents continue to rise. A cause of this problem is the lack of incentives on a park owner to maintain quality services once all homes in the park are sold and site rent is guaranteed.

This problem may be exacerbated by option 6 (prohibit market rent reviews) and option 7 (limit site rent increases) to the extent that some park owners may seek to maintain existing profit margins by reducing investment in the park and its services and facilities. For parks still in development this may be mitigated by option 2 (residential park comparison document) through driving competition or option 11 (buyback requirements) through creating incentives to maintain the park to facilitate timely sales. However, these factors are unlikely to be sufficient on their own. Feedback on the issues paper noted that while frameworks exist in the Act to reduce site rent due to declining maintenance, disputes over declining maintenance and amenity require home owners to enter into a complex and potentially costly dispute resolution process.

Option 10 took a transparency-based approach to ensure parks commit to maintenance and capital replacement requirements which will empower home owners to make informed decisions, enforce their rights and make park owners accountable in maintaining the park.

Conclusion: This option was considered to impose costs and administrative burden on park owners, however the estimated cost may represent an upper bound for parks which already have asset maintenance and capital replacement plans in place and who would be simply required to be transparent about their planned expenditure. Conversely, the potential benefits to amenity, quality of life, fairness and capital growth for home owners could not easily be costed.

While this option scored relatively low on achievement of policy objectives on its own, it was considered to have a valuable role in the preferred package of options in the C-RIS as it resolved gaps in the legislative framework not addressed by other options. It was included as a preferred option for the purpose of consultation.

Leaving the park

8.2.7 Why option 11 – Establish a limited buyback and site rent reduction scheme was a preferred option in the C-RIS

Quantitative costs / benefits: The administrative cost to park owners of this option was estimated at approximately $4,522,000[54], with reduced profitability from site rent equal to

[54] $1,714,000 due to site rent reductions, $357,000 from marketing costs, $516,000 from administrative costs, $1,935,000 from financing costs.

approximately $1,227,000 over a 10 year period. This was offset by an estimated benefit of $957,000 from additional park profit from sales of homes.

Under this option, home owners would experience a benefit of $3,887,000 from reduced site rent, improved sale times and less time spent paying site rent for unsold homes. However, this is unlikely to be additional to the benefits experienced from options 2 and 11 and there is likely to be a diminishing return on reductions in sale times from cumulative improvements to the legislative framework.

Risk: Moderate level of risk from increased costs and a reduction in park owner profitability, raising concerns regarding the level of ongoing capital investment, ongoing maintenance expenditure, quality of park service provision, and development of new home supply. The addition of a buyback scheme may cause park owners to alter their investment decisions. Impacts may be more acute on smaller park owners.

Qualitative costs / benefits: The degree to which home owners are ‘captured’ and unable to easily relocate their homes, or exit the park without selling their home, is a significant contributor to issues at all stages in the consumer journey. Improvements which reduce barriers to exit are likely to contribute to a rebalancing of market power between home owners and park owners. Option 11 was considered to provide a fairer balance of risk between home owners and park owners in the resale process. This option creates incentives on park owners to provide competitive services and rents to ensure the park remains attractive to new entrants, to minimise the need for buybacks.

There was considered to be a significant benefit to home owners from this option, particularly for home owners who are unable to occupy their home due to changes in their living circumstances (because, for example, they have moved into aged care). Improved certainty for this vulnerable cohort is likely to improve confidence in residential parks and ensure home owners have similar safeguards to retirement village residents, improving the comparability and competition between these options.

Only home owners who provide vacant possession of their homes are eligible to opt-in to the buyback framework, limiting its applicability. This is the lowest level of intervention necessary to provide protections commensurate with the vulnerability of home owners in the late stages of their life.

Conclusion: This option was included in the preferred package of reform options in the C-RIS as it provided a combination of quantitative benefits for home owners who might otherwise be at risk from delayed sales, and qualitative improvements for the market as a whole by improving the incentives on park owners to maintain residential parks and facilitate sales of pre-owned manufactured homes.

8.3 Summary of the cumulative long-term costs and benefits of the proposed C-RIS reform package for the community

The table below provides an estimate of the cumulative costs and benefits of the preferred package of options outlined in the C-RIS over 10 years. As the costs and benefits of options are not linear, may overlap, or compound in ways which are difficult to predict, the total provided is speculative.

These figures reflect the outcomes of impact analysis on the C-RIS proposed reform options, and do not include changes made to the final package of reforms outlined in chapter 9. See Chapter 9.5 for an equivalent summary of cumulative costs and benefits for the final package of reform options in this DIAS.

8.3.1 Quantitative benefits of C-RIS package over a 10-year period

Table 14. Cumulative long-term costs and benefits of the reform package for the community

Benefit	Cost
Savings from reduced sale times for home owners • Option 2: $1,626,000 • Option 3: $3,252,000 • Option 11: $3,887,000 • Total: $3,887,000 - $8,765,000[55]	Cost of park owners preparing residential park comparison document • Option 2: $385,700
Reduced site rent from carry over of beneficial terms • Option 3: $3,661,000	Reduce profitability from carry over of beneficial terms • Option 3: $3,661,000
Benefit of lower site rent increases for home owners • Option 6: $3,508,024 • Option 7: $53,429,904 • Total: $53,429,904 – $56,937,928 over 10 years[56]	Reduced park owner profitability for lower site rent increases • Option 6: $3,508,024 • Option 7: $53,429,904 • Total: $53,429,904 – $56,937,928 over 10 years[56]
Reduced cost of market valuations for park owners • Option 6: $4,360,500	
Additional park owner profit from sales of unsold homes • Option 11: $957,000	Cost of reduced site rent and buyback requirements for unsold homes Option 11: $5,749,000

[55] Range based on the maximum benefit of option 11 (assuming the benefits of option 2, 3 and 11 are non-cumulative), and the added benefit of options 2, 3 and 11. The likely impact is a midpoint which assumes partial accumulation of benefits depending on individual circumstances.

[56] Range based on the maximum benefit of option 7 (assuming the benefits of option 6 and 7 are non-cumulative), or the additive benefit both options 6 and 7. The likely benefit is a midpoint which assumes partial accumulation of benefits depending on individual circumstances.

Benefit	Cost
Reduced disputes (assuming a cumulative 70% reduction in disputes[57] across all options) • $7,300 for home owners over 10 years based on QCAT application fees • $80,700 over 10 years for government[58] • Cost and time savings for park owners resolving formal and informal disputes: $8,925,000[59] **Increased sales values from increased amenity and confidence in the residential park industry** • All options: Not costed **Reduced burden on homelessness services** • All options: Not costed **Total net benefit to the community as a whole** The reform package results in a total financial benefit across the market, ranging from $75,308,404 – $83,694,428 (mid-point $79,501,416)	**Cost of implementing maintenance and capital replacement plans** Option 10: $14,250,600[60] **Total market cost to the community as a whole** Reform package results in a total financial cost across the market which range from $77,176,204 – $80,684,228 (mid-point $78,930,216)

[57] 70% based on the maximum estimated for the benefit of option 6, conservatively assuming additional reductions are unlikely to be cumulative beyond that.
[58] Based on cost of disputes at QCAT from 2021-2022 annual report. This is likely underestimated due to the length and complexity of residential park disputes.
[59] Assumes a 70% reduction in disputes, with an hourly rate of $50 for park managers and 100 hours per year per park spent on formal and informal disputes about site rent and sales.
[60] Based on estimated cost per park over 10 years multiplied by the number of parks. This assumes a worst-case scenario in which all parks do not currently have maintenance and capital replacement plans and will need to dedicate resources to their development. Many parks are likely to already have plans in place as a matter of good practice and may already be substantially compliant with requirements. In this situation, parks will need to be transparent about the content of these documents and as a result, this cost may be overestimated.

8.3.2 Qualitative cost/benefits

Table 15. Qualitative cost and benefits of C-RIS reform package

Cost
Reduced supply / increased price of manufactured homes for prospective home owners A consequence of improved consumer confidence and stronger consumer protection, combined with reduced supply from lower profitability of residential parks may result in upward pressure on the purchase price of manufactured homes for prospective home owners.
Benefit
Greater transparency in site agreements for home owners Home owners will experience benefits from improved capacity to shop around, make informed decisions and understand how their site rent is contributing to the upkeep and maintenance of the park. This is likely to be reflected in improved consumer satisfaction measures and confidence in the industry generally, benefiting both home owners and park owners.
Fairer site rent increases The reform package directly addresses many of the fairness and equity concerns related to site rent identified in chapter 3 and address imbalances in market power (see causes 3 and 4). This will make the process of increasing site rent fairer, less complex and less intimidating to home owners, particularly vulnerable home owners without capacity to self-advocate.
Improved amenity The reform package is expected to improve the amenity of residential parks due to added transparency and improved incentives to maintain parks to facilitate timely sales.
Improved security of tenure Reducing the rate at which affordability declines will improve the security of tenure for manufactured home owners.
Improved consumer satisfaction and confidence Stronger consumer protections and greater predictability about site rent increases, improved amenity, and timely sales are likely to improve consumer confidence in the residential park industry resulting in increased consumer satisfaction measures. This, in turn, may increase prices for manufactured homes for existing home owners as residential parks become a more desirable housing option. The impact of this effect cannot be quantitively estimated.
Improved health and wellbeing outcomes Improved housing security, reduced housing stress and greater availability of financial resources to spend on non-housing costs are likely to deliver health and wellbeing

outcomes compared to the status quo, as home owners are able to spend more on necessities such as food, medication, transport, as well as health and wellbeing services.

Reduced regulatory burden on government

A reduction in complaints and investigations related to site rent increases is likely to reduce the burden on government.

Reduced burden on homelessness services

Increasing housing affordability and security for home owners could reduce the burden on the public housing system and reduce the cost to the community associated with homelessness and accessing homelessness services, which is estimated at approximately $310,000 over 10 years[61]. This cost has not been factored into the calculation of net benefits as there is insufficient data to reasonably estimate the number of home owners who may experience homelessness under the reform package compared to the status quo.

Increased capital gain for existing home owners

Improvements to housing security, affordability of site rent and greater satisfaction is likely to make residential parks a more attractive housing option compared to the status quo. This will likely increase demand which, if not met by supply, will apply upwards pressure on the cost of purchasing a manufactured home.

Stronger spending in local economies

Reducing housing stress for manufactured home owners is also likely to have indirect benefits to local economies as a greater percentage of a home owners' income can be used to purchase products and services in the local community. However, there is insufficient data to estimate this effect.

8.4 Quantifying the cost and benefits of the preferred C-RIS package of options

Based on the assessment of the estimated costs and benefits to the community as a whole, the preferred package of options identified in the C-RIS was estimated to deliver a qualitative net benefit of $2,980,200 over 10 years in a best-case scenario[62], or a cost of $1,867,800 in a worst-case scenario assuming that options 6 and 7, and options 2, 3 and 11 had no cumulative effect. A reasonable midpoint of these assumptions provides a net benefit of $571,000 over 10 years. This is prior to consideration of qualitative benefits and benefits which could not be costed, which is considered to outweigh the costs even in a worst-case scenario.

[61] Based on pro rata calculation on the estimated cost of $186,000 per person over 6 years, Pathways to Homelessness Final Report, December 2021, https://www.facs.nsw.gov.au/download?file=823631

[62] Assumes costs and benefits on site rents and sales are linearly cumulative.

Chapter 9: Final reform package in the DIAS

Following consideration of stakeholder feedback on the proposed options as presented in the C-RIS, the composition of the final package and the details of some of the options included in the package has been amended. This chapter provides an overview of the feedback received through consultation, and details of the final reform package.

9.1 Stakeholder feedback on C-RIS options

This section provides a summary of the feedback received on the options presented in the C-RIS. Feedback was obtained through written submissions, completed feedback forms, and through stakeholder workshops (see section 2.4).

9.1.1 Option 1: Status quo

In general, stakeholders considered some form of change was warranted to improve the industry and address problems. Home owners were broadly supportive of greater regulatory intervention, to address concerns around affordability, equity, and quality within residential parks. Likewise, legal advocacy groups supported the establishment of greater protections for home owners, and some considered park owners sharing some risk with home owners was appropriate. Industry representatives recognised the need for change; however, they had varying views on the appropriate level of regulatory intervention. Some considered the current regulatory framework is fit for purpose, and non-regulatory options could address issues in the market, including improved education for home owners and improved access to legal support and pre-purchase advice. There was a view that problems were caused by a minority of 'bad' park owners, and could be addressed by regulatory compliance activity, rather than through the reform options identified in the C-RIS.

9.1.2 Option 2: Require residential parks to publish a comparison document

This option was widely supported by home owners and legal advocacy groups and had a moderate level of support from industry stakeholders. The option has potential to facilitate comparison of parks for consumers looking to buy a home (which some home owners said was hard to do when they moved in) and may increase competition between parks which can have favourable outcomes for the industry. This option could also reduce misinformation which some home owners experienced before they moved into their park, for example, some home owners were not made aware of plans for expansion when moving into a park. Industry representatives noted the current legislation already imposes some disclosure obligations but were willing to expand transparency in the market.

Some industry representatives noted that comparison documents would also help them identify and compare parks being offered by their competition. Some had concerns about the administrative burden of developing and maintaining the document.

There were many suggestions about what should be included in the comparison document:

- Park facilities, including details about capacity of facilities (e.g., a clubhouse), and age of infrastructure.
- Services provided, such as lawn moving.
- Range of site rents in the park and rent inclusions (e.g., utilities, rates, as well as the profit component).
- Bases for rent increases.

- Historical rent increases.
- Number of sites.
- Plans for expansion.
- Plans for maintenance and capital replacement.
- Proximity to facilities and services.

Some requested that there be further consultation about the contents of the comparison document.

A key point raised by stakeholders was the need for comparison of features to be like-for-like. Some home owners indicated that rent covers different inclusions for different home owners within the same park. For example, some home owners' site rent includes a water consumption allowance whereas others pay site rent plus a charge for water. As another example across parks, some stakeholders indicated that two parks can each have a clubhouse, but the quality and capacity of the two may vary significantly by age, condition, size and capacity. Home owners indicated such information would need to be clearly noted in a comparison document.

Home owners also indicated that the park comparison documents should be monitored to ensure park owners are publishing the right information.

Results from the feedback form indicated that option 2 is perceived by most to have a positive impact on current and future home owners. The graph below shows 1,090 respondents to the feedback form (primarily home owners) considered the option would have a very positive impact on current home owners, and (graph further below) 1,923 respondents considered the option would have a very positive impact on future home owners.

Figure 24. Consumer view of Option 2 impact on current home owners

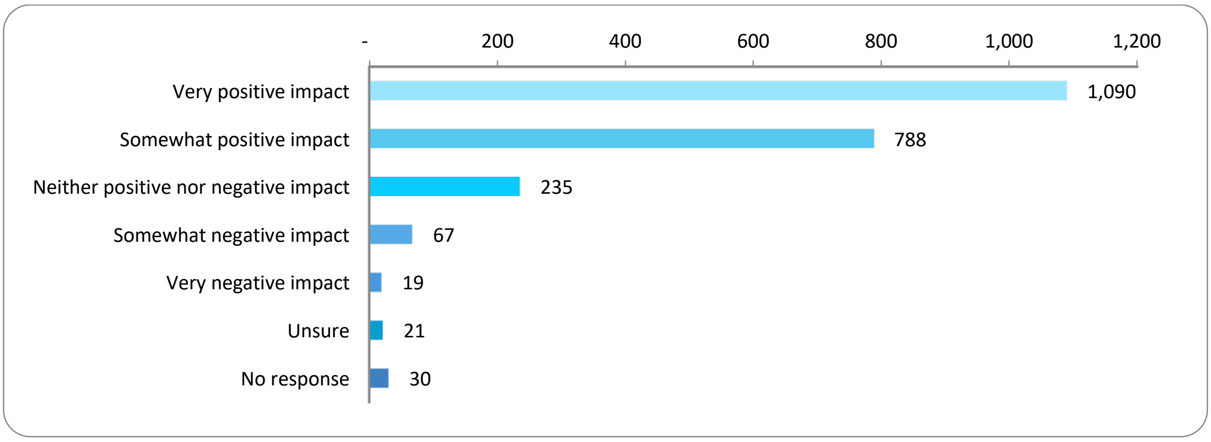
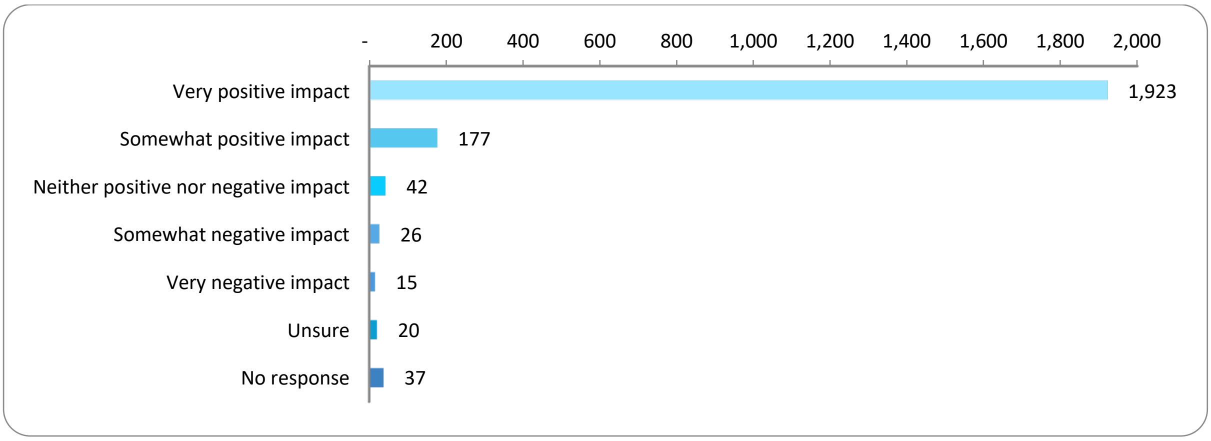


Figure 25. Consumer view of Option 2 impact on future home owners



Some stakeholders raised concerns about the disproportionate administrative burden this reform would have on small and mixed-use residential parks with a very small number of sites. For example, a tourist park or caravan park with a small number of manufactured homes may be unduly burdened by the ongoing maintenance of a website and comparison document, which could cause these parks to transition away from offering sites for manufactured homes.

9.1.3 Option 3: Simplify the sales and assignment process

There were a mix of views on this option from stakeholders. There was broad support for the overarching intent of the reform to promote quicker sales and consistency of rental increase methods, terms, conditions and rules, however significant variation in how the option should be implemented.

Many home owners were of the view that assignment should be mandated as the only option for transferring a site agreement from a buyer to a seller, while park owners supported having purchasers enter into new site agreements. Some stakeholders considered that, in practice, carrying over existing terms could be complex and cause confusion. Some considered the mandated carryover of key site agreement terms such as rent would increase the inequality in rents paid by home owners within a park, which is currently a cause of concern for home owners.

Many home owners said they were unaware of an option to be assigned an existing agreement when they moved into the park — they were simply given a new agreement to sign. As such, they emphasised that the option for the carryover of existing terms to the new agreement should be made clear, if the reform is implemented. Some home owners considered the current issuance of new agreements by park owners as opportunities for them to increase site rent.

Some industry representatives expressed concern that the automatic carryover of existing terms would make site rent increase mechanisms perpetual, which would restrict the flexibility of park owners and have significant implications for the operation of the business. These risks would be heightened if market rent reviews are prohibited.

It is important to note that the regulatory framework already provides for the seller to assign their site agreement to the buyer, and park owners cannot unreasonably refuse to consent to assignment. While some park owners customarily seek to update site agreements and reset rents on sale, this is not a right they are guaranteed under the Act. Nonetheless, in practice a majority of home owners enter into new site agreements with new rent amounts, and restrictions on this practice when combined with other restrictions on rent increases, would limit residential parks in adjusting rents to match market conditions.

Both home owners and park owners commonly raised concerns about fairness where different home owners in a residential park are paying different site rents for substantially the same service. Park owners also note that due to the perpetual nature of site agreements in residential parks, some sites have artificially low site rents from agreements entered into under different market conditions, resulting in inflated values for those sites, and a greater burden on other sites to cover the operational expenses in the park.

Results from the feedback form indicated a wide range of views on the perceived impact of option 3 on home owners, potentially reflecting a lack of understanding of the option. The bar graph shows 540 respondents considered the option would have a somewhat negative impact on current home owners, and 998 respondents considered the option would have a very positive impact on future home owners.

Figure 26. Consumer view of Option 3 impact on current home owners

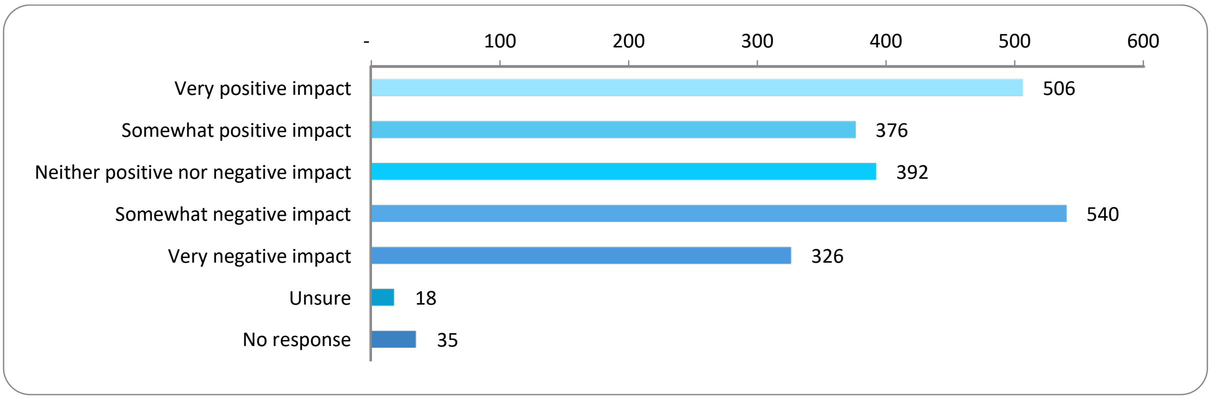
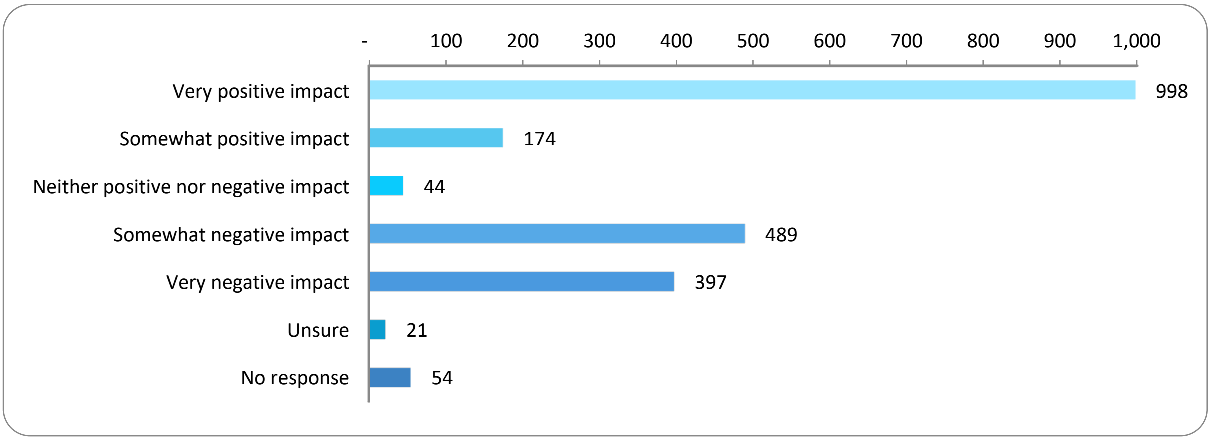


Figure 27. Consumer view of Option 3 impact on future home owners



9.1.4 Option 4: Limit site rent increases to a prescribed basis

Home owners generally supported the option of limiting site rent increases to a prescribed set of rental increase bases though many home owners did not support the inclusion of CPI based methodologies as allowable bases. Home owners were in favour of removing market rent reviews as an increase basis, and having greater transparency and potentially greater consistency among agreements.

Industry generally did not support this option, with many concerned that it would reduce innovation. Some industry stakeholders considered the option may be acceptable as long as they were consulted on the prescribed bases and if existing bases were captured within the framework. Industry representatives were opposed to the removal of market rent reviews as an allowable basis, for reasons discussed in further detail in the discussion of Reform option 6. Some considered the proposed prescribed bases would not allow park owners flexibility to recover operating costs, especially over the longer term as future events are unable to be predicted.

A key point of discussion was the prescribed bases which could be included. Views tended to be mixed:

- Some home owners supported CPI, but many home owners considered park expenses could not be rising as quickly as CPI, and that CPI was too high (at the time of consultation) to reflect the increase in expenses of park owners. Conversely, park owners indicated CPI does not always cover the costs they face, in particular for utilities and statutory charges (this was the case for some park owners currently).

- There was discussion on the appropriate measure of CPI to apply. There was some support for use of the Australian CPI to be consistent with that considered in age pension increases. Others preferred the use of a local CPI. A common suggestion was developing a bespoke inflation index targeted to residential parks, incorporating only the components of the published CPI that relate to residential park operating expenses. Stakeholders said this would make a more targeted proxy for increases in line with park operating expenses. There are several issues with implementing such an index. The CPI is a national (or state-wide) reflection of costs for a pre-specified basket of consumer goods and is not necessarily reflective of business costs (for example, the CPI does not include any wages-related costs), including for residential parks which is a relatively small, niche part of the property market. In addition, each park owner would have a unique cost structure, suggesting any index may not be a close proxy for all parks. Such an index would be costly to develop and maintain over time, as it may need to account for changes in park owner expenses and any amendments to components captured by the CPI. There were mixed views on allowing a fixed percentage increase. This is currently used in some agreements (with examples provided in consultations of 4% and 5% per annum). The views on a fixed percentage varied depending on the level the percentage was set at. Home owners generally considered 3.5% per annum to be too high. Some home owners said they would be open to a slightly higher percentage if it provided them with certainty (particularly if this was the only basis that was applied). Some stakeholders said that in their parks, a fixed percentage had replaced a market rent review as a basis for increase. There was broad acknowledgement that a fixed percentage was beneficial in periods of high inflation (i.e., the current environment) but not always.

- Many home owners proposed that a fixed 1% increase in rent would be reasonable, and that it would aid affordability and increase predictability. This proposition would not allow park owners to reasonably recover expenses and receive a return on their investment in the medium to long term.

- Home owners supported the theory behind increasing rents in line with park operating expenses, but noted there could be problems with this in practice (such as gold-plating or creative accounting, and expenses may need to be verified), and that it could lead to disputes. Many home owners were concerned that increases in site rent were higher than increases in park expenses, over the same period. Some considered it was fair that rent increase in line with park expenses, and that any profit component should be set in the initial site rent and then simply maintained. They did not think it was fair if the profit component of site rent was growing year on year, especially while park maintenance fell behind. Home owners called for greater transparency in understanding what their rent covered.

Results from the feedback form was mixed, with some perceiving option 4 to have a very positive impact on home owners, and others perceiving it have a very negative impact on home owners. 949 respondents considered the option would have a very positive impact on current home owners, and 1,032 respondents considered the option would have a very positive impact on future home owners.

Figure 28. Consumer view of Option 4 impact on current home owners

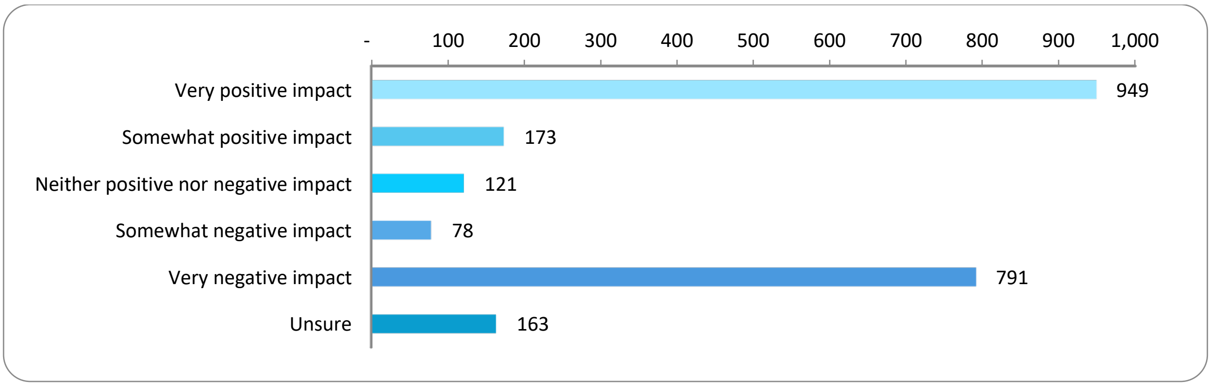
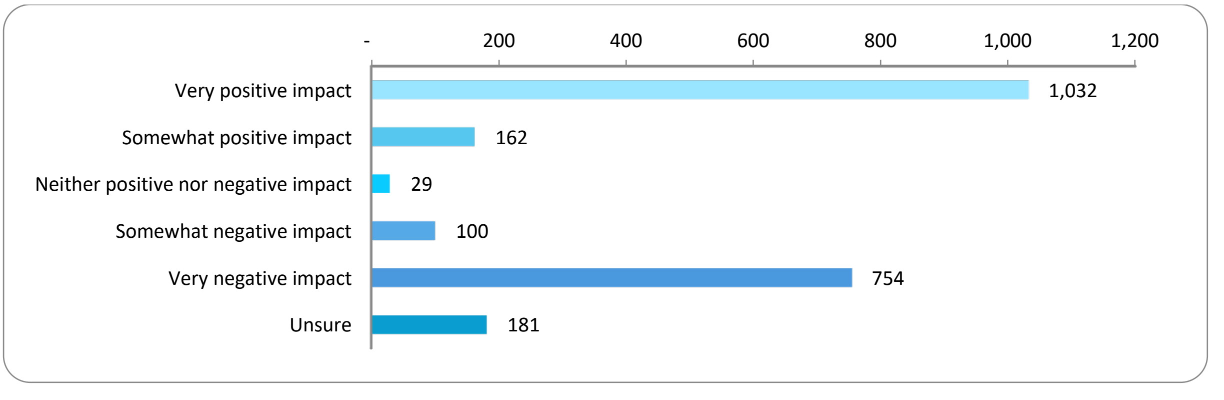


Figure 29. Consumer view of Option 4 impact on future home owners



9.1.5 Option 5: Improve the market rent review process

There were a mix of views on this option. Many home owners considered this was not feasible. Some home owners said the previous reforms that aimed to improve the market rent review process have not been effective and were concerned that this option would result in a similar outcome. Home owners generally had negative views of the process, even if they had not experienced a market rent review, and would prefer it was removed rather than improved.

Industry stakeholders were supportive of this option. Some industry stakeholders suggested the market review process could be improved by developing a panel of government-appointed or government-endorsed valuers, which could address home owner concerns around the perceived fairness of the process. A range of other measures were also canvassed to improve the process, including providing educational materials to home owners to promote better understanding of the process, determining the matters that should be considered in a valuation, and limiting dispute rights to specific issues. Industry representatives said that the market review process could be improved by involving home owners and home owner committees in the process, to increase transparency and fairness. They also noted that home owner committees currently have the right to participate in the process, but that this does not always occur.

9.1.6 Option 6: Prohibit market rent reviews

Views on this reform option were particularly divergent between home owners and park owner representatives.

Most home owners strongly supported prohibiting market rent reviews. Home owners raised concerns around the process. In particular, they considered the independence of the valuer as compromised given they are appointed by the park owner. In addition, many said that parks used in the comparison exercise were not comparable to the park they live in. As an example, facilities were often compared broadly when there might be significant differences in the size or age of facilities. Many had concerns that the actual increases that occurred as a result of the review were excessive, and that the unpredictable nature of the review made the resulting increases difficult to plan for. Some home owners said they had had a market rent review that resulted in a significant increase (such as a $50/week increase for one park, and a 37% increase for another), and decided to raise a dispute. A small minority of home owners supported market rent reviews and the role it played in allowing park owners to keep site rents in line with the market.

Home owner groups and legal advocacy groups also supported prohibiting market rent reviews. Supporting reasons included the tension and mistrust between home owners and park owners market rent reviews can create, the veracity of the independent valuation, the difficulty for home owners to successfully dispute an increase, and the adverse impact on the health of home owners.

In contrast, industry representatives were strongly opposed to prohibiting market rent reviews. They were concerned about the impact on the site rent they would receive in the absence of market rent reviews, being the other basis in the site agreement (which varies among home owners) or CPI if there is no other basis. Industry members highlighted the market rent review process enables park owners to capture increases in market values and their capital stock — as would occur within the broader rental market. Park owners outlined that if site rent increases were limited to a fixed basis in the absence of market rent reviews, they would not be provided with flexibility to recover future unexpected expenses (including those outside of the park owners' control such as increases in council rates). They said investors may see narrowing profit margins, reduced return on investment (impacting future housing supply), and reduced incentive to invest in existing parks. Industry representatives also said that market rent reviews were useful in that they are a method to normalise rents within a park and create a greater sense of fairness. Industry representatives said that the market review process could be improved by involving home owners and home owner committees in the process (similar to what is proposed in reform option 5 – with the park owner and home owners jointly appointing a qualified valuer).

Market reviews conducted after parks were fully occupied was raised by stakeholders as a significant cause of dissatisfaction. Home owners reported large increases in rent that they had not anticipated (such as an 11.4% increase one year after moving into the park). Site rent levels in parks under development are sometimes set at lower than "market" rates until most homes in the park are sold. Rents are then increased using a market rent review process. Industry representatives suggested that the larger increases which sometimes occur when adjusting discounted rates to market rates could result in home owners having a negative view of the market rent review process. Conversely, home owners viewed this practice, where the 'discount' and anticipated increase was not clearly disclosed, as unfair as it is designed to entice the purchase of a manufactured home after creating expectations of affordability. Some park owners acknowledged it may not have been made clear enough to home owners that the site rent payable on entry was at a reduced rate prior to park finalisation, or how the post-park development site rent would be determined.

Related to this reform option (among others), were concerns raised by home owners about the dispute resolution process. Many had gone through this process to dispute a large increase proposed by a park owner following a market rent review. Home owners found these processes complex, lengthy and draining, and many said they would not go through the process again.

Results from the feedback form indicated that option 6 is overwhelmingly perceived to have a very positive impact on current and future home owners. The bar graph shows 1,993 respondents considered the option would have a very positive impact on current home owners, and 1,954 respondents considered the option would have a very positive impact on future home owners.

Figure 30. Consumer view of Option 6 impact on current home owners

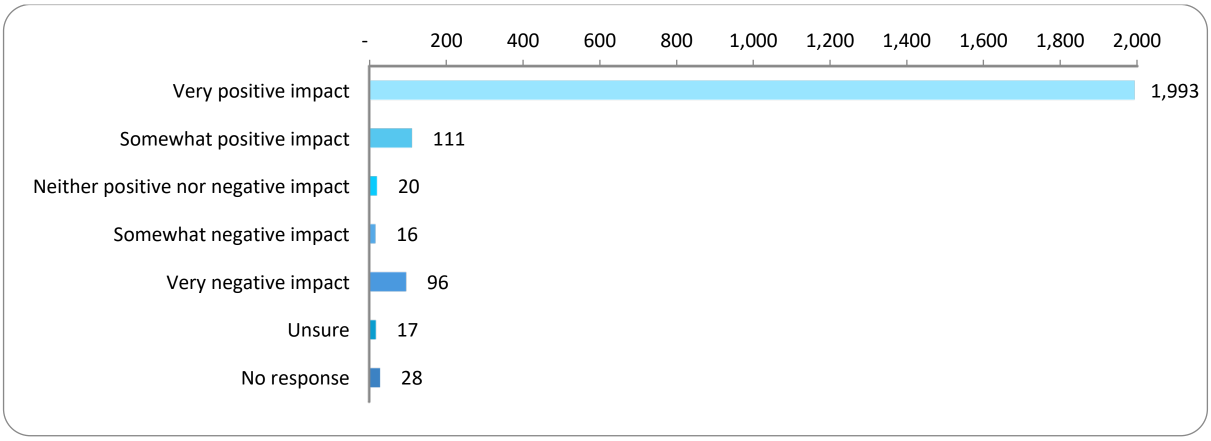
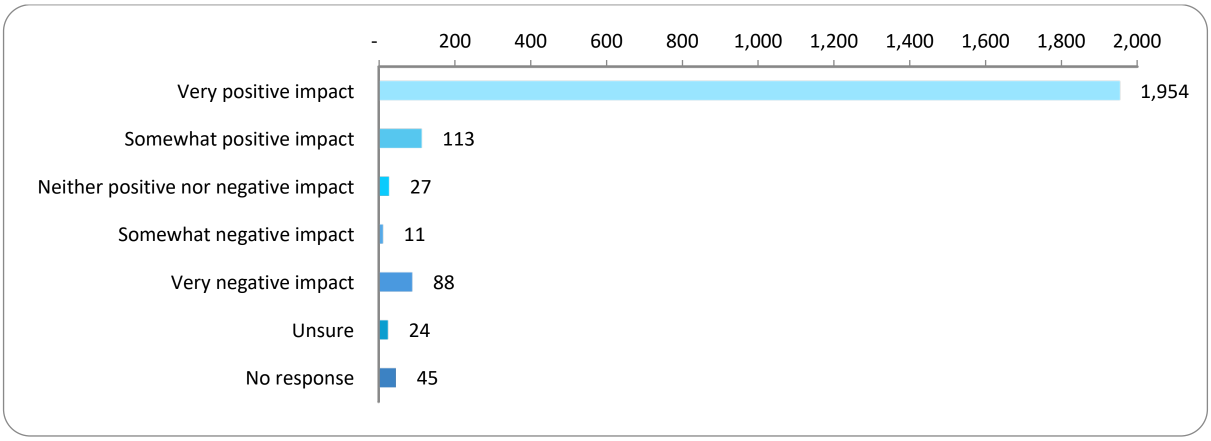


Figure 31. Consumer view of Option 6 impact on future home owners



9.1.7 Option 7: Limit site rent increases to the higher of CPI or a fixed percentage (e.g., 3.5%)

This option did not have strong support from stakeholders, however the reasoning from different groups varied significantly, with some believing the option would be too restrictive on park owners and many others believing that the option is not restrictive enough.

Many home owners said they thought the cap should be set as the *lower* of two options, rather than the higher. Many home owners considered 3.5% to be too high, and some did not support the cap because of the use of CPI as a basis, reflecting discontent with the high levels of CPI being experienced by the community. Some home owners supported the idea of applying a cap where rent increases would otherwise be excessive. However, there were concerns that the existence of the cap may draw rents up to the level of the cap.

Park owners were mostly opposed to the cap. They said it may not allow for them to recover park expenses, which would impact on profitability and investment in parks. In addition, some said a cap would limit innovation in the industry and restrict development of premium park models. Some industry representatives said this would require prediction of future cost increases, and may increase reliance on the special cost increase framework in the Act which can be a difficult and costly process, for all involved.

Some home owners and park owners noted they had moved to a fixed percentage site rent increase basis in recent times, reflecting a willingness of home owners to pay a potentially higher amount to ensure the predictability of site rent increases. In such cases, a cap could undermine successful negotiations between stakeholders and disadvantage park owners.

Results from the feedback form indicated that option 7 is perceived to have a very negative impact on current and future home owners. The bar graph shows 1,413 respondents considered the option would have a very negative impact on current home owners, and 1,390 respondents considered the option would have a very negative impact on future home owners.

Figure 32. Consumer view of Option 7 impact on current home owners

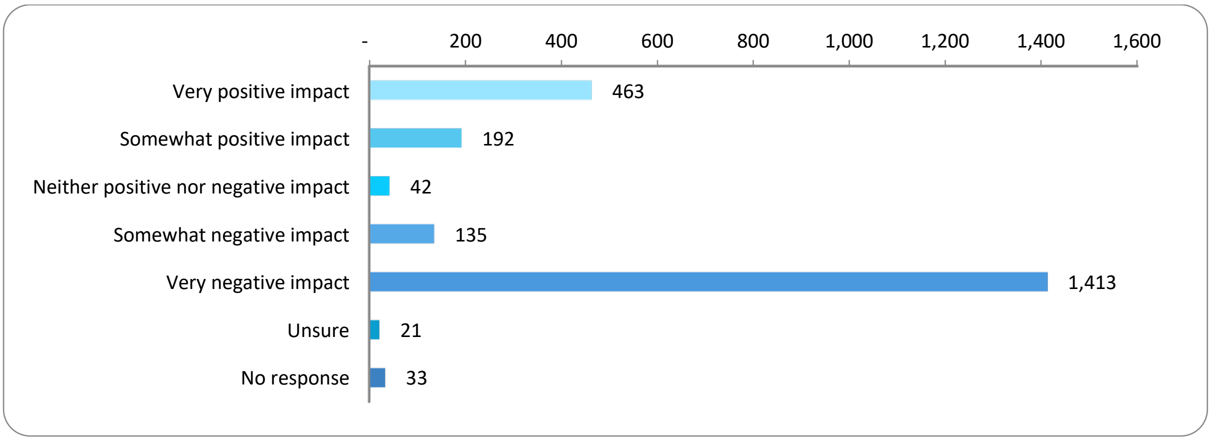
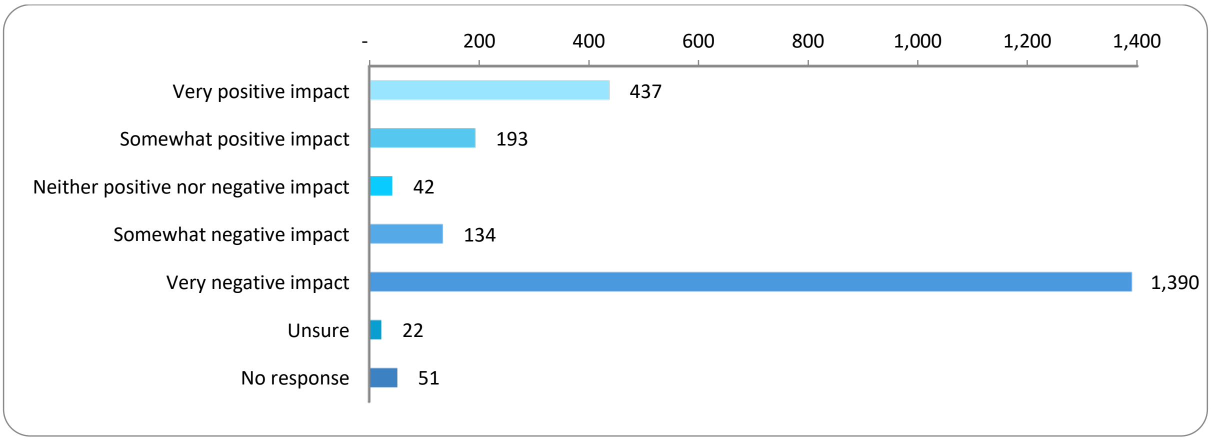


Figure 33. Consumer view of Option 7 impact on future home owners



9.1.8 Option 8: Limit site rent increases to CPI

This option was generally not supported by stakeholders. The consultations took place during a period of unusually high inflation, with CPI of 6.0% recorded by the Australian Bureau of Statistics over the twelve months to the June 2023 quarter (which was the time of the workshops). As a result, home owners considered CPI to be excessively high. Home owners also cited the unpredictability of CPI as a reason they did not favour the options.

Many home owners raised the perception that CPI is increasing faster than the age pension, and this was a common reason that CPI was not supported as a basis for site rent increases. However, the CPI is one measure utilised in age pension indexation. Therefore, even in periods of high inflation, the increases in site rent would not exceed increases in the pension. Section 3.2.10 provides further detail on age pension indexation.

Park owners were likewise against the adoption of CPI as the sole basis for site rent increases. They said CPI is often not sufficient to cover park expenses, with one park owner providing an example of the following estimates of how their expenses have increased over the past 12 months:

- General rates: increased from 9% to 17%
- Water and sewerage charges: increased by 4%
- Electricity: increased from 7% to 26%
- Cleaning: increased from 18% to 36%.

It is noted that in general there was a lack of park expense data available, so the modelling was based on estimates.

Some industry representatives also said the reform option could limit the establishment of more premium offerings.

9.1.9 Option 9: Require expense-based calculation for increases above CPI

This reform option tended not to be supported by stakeholders. Many stakeholders expressed concern that the measure would lead to an increase in disputes, for example around what appropriate expenses were. There was concern that home owners lack the financial expertise to appropriately understand and dispute such an increase. Some stakeholders noted that there would not be an incentive for park owners to keep expenses down, as they would be able to pass on the costs to home owners which could exacerbate issues of affordability rather than improve them.

A number of consumer representatives, including the Queensland Manufactured Home Owners Association proposed that Government publish a specialised park expense index to prescribe how much site rent can increase each year based on a proportionate increase in park expenses.

9.1.10 Option 10: Require maintenance and capital replacement plans

Home owners had varying experiences of the transparency of park plans depending on the park they resided in. Some home owners reported they had no transparency over these plans. There were other cases where home owners were aware of the park plans, and some also had input into the plan development.

Home owners supported this option, especially its function in providing greater transparency over planned maintenance and capital expenditure. Some home owners considered the reform may address concerns that park owners are not incentivised to invest in a park once it is fully occupied. Home owners were especially supportive of this reform option where they were experiencing a lack of investment and decline in the quality of their amenities.

There were comments from legal advocacy groups that there are limited legislative options for home owners living in parks that are not adequately maintained. The standard of maintenance was a common source of tension and disputes between home owners and park owners. Implementation of maintenance plans was supported to increase clarity around the expected standard of maintenance in a park, and what would constitute a failure by the park owner to maintain park facilities. There was a proposal for the option to be accompanied by an abbreviated dispute resolution process, given the complexity of the current process whereby home owners may find it difficult to enforce a maintenance plan. An ombudsman model was raised as a potential option in this context; however, this is outside the scope of this review, and will be given more fulsome consideration as part of the review of dispute resolution in residential parks and retirement villages.

Some park owners raised concerns about the potential for more disputes, where the level of spending does not match the planned expenditure, or instances where emergency/ unplanned expenditure in other infrastructure results in a redirection of funds from the plans. Industry tended not to support the trust account proposal. Some highlighted the costs of holding funds in a trust would impose, that it would impact park owners' ability to adapt flexibly to change and unexpected maintenance issues that require addressing, and that it could diminish tax benefits in ways not fully accounted for in the regulatory impact analysis.

Stakeholders provided views on the specific details of the reform:

- Many home owners expressed a desire to provide input into the development of the plan.
- Home owners mentioned the risk that, while a plan could be made available, there is currently no mechanism to hold park owners accountable to this plan. Industry representatives did not consider they should be held to a plan given the difficulty in predicting future costs.
- Home owners were generally supportive of the keeping of money in a trust account, to minimise the impact of major expenses. There were varying views about the amount that should be put into this fund.

Some stakeholders indicated that some park owners already have maintenance and capital replacement plans.

It was further observed that the proposal could result in significant administrative burden and complexity for mixed-use parks where facilities and common property is shared between manufactured homes regulated under the Act and other forms of accommodation such as caravans regulated under the *Residential Tenancies and Rooming Accommodation Act 2003*.

Results from the feedback form indicated option 10 is perceived to have a very positive impact on home owners. The bar graph shows 1,287 respondents considered the option would have a very positive impact on current home owners, and 1,260 respondents considered the option would have a very positive impact on future home owners.

Figure 34. Consumer view of Option 10 impact on current home owners

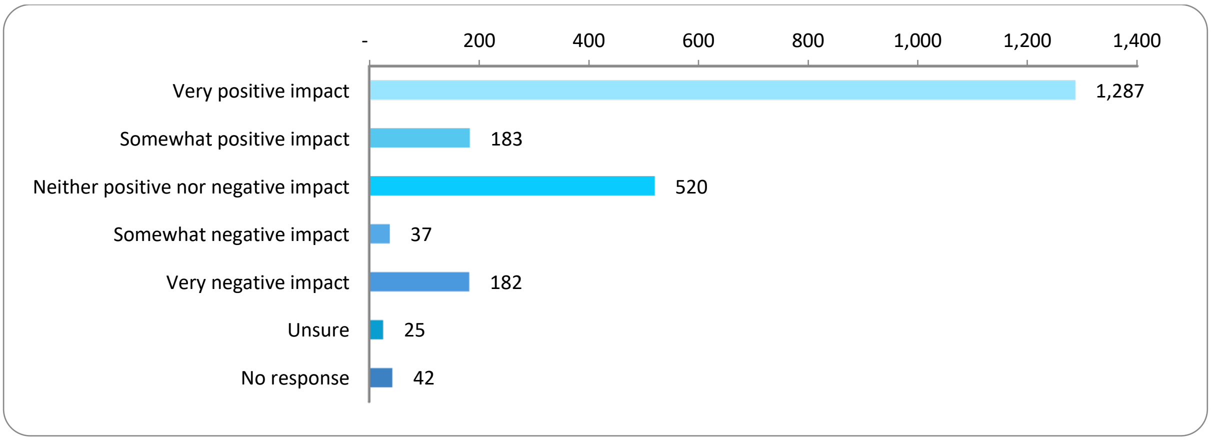
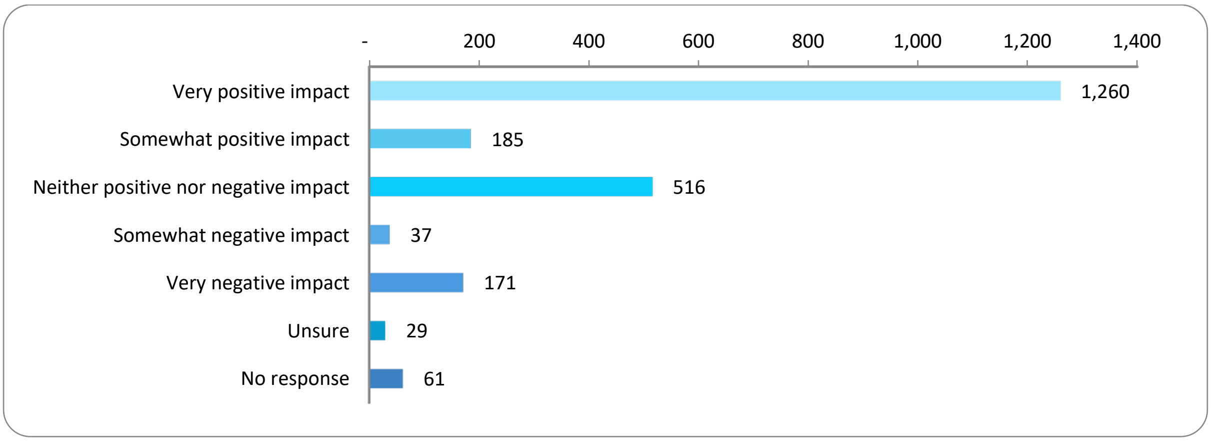


Figure 35. Consumer view of Option 10 impact on future home owners



9.1.11 Option 11: Establish a limited buyback and site rent reduction scheme

Home owners were supportive of the buyback scheme in principle, but a key concern was that the 18-month timeframe was too long, given site rent must be paid for that entire period. There were some suggestions that the timeframe should be 6 months or 12 months. There were also suggestions that the site rent reduction start sooner and be greater than the suggested 25%. It was suggested that the portion of site rent covering the use of facilities and utilities where relevant should not be payable once a home has been vacated. There were also views that the process was overly complex. Delays in home sales were not a current concern for most home owners, potentially reflecting broader strength in the current housing market. However, some older parks were struggling to on-sell homes. In addition, sale of homes was raised as a concern in Cairns, where parks were still in development. Some stakeholders considered it may be difficult for the home owner and park owner to agree on a price for the buyback, and the process of the obtaining an estimate from a valuer may be lengthy.

Park owner representatives were strongly opposed to this option and highlighted the significant increase in costs and risks this could bring. They said it would impact park owner incentives to invest in existing and new parks. The financial impact could raise barriers to entry for smaller park owners. Some industry representatives said the impact of GST was not considered in the analysis and therefore the costs to industry were understated. They also noted the differences between the retirement village industry (where a buyback scheme exists), and the residential park market. In a retirement village, scheme operators are generally able to reinstate homes to a saleable condition with the costs of doing so deducted from the sale price. This provides significantly more control over the sales process and saleability of the home. Park owners do not have this ability under the Act, with the standard and condition of the home largely determined by the home owner. In instances where a home has not been well-maintained, park owners would have to buy back homes that were in poor condition and may not have sold due to conditions outside of their control.

Park owner representatives raised the alternative of a hardship policy as a measure to address home owner affordability concerns and reduce the impact of unsold homes. The scheme would involve a home owner paying reduced site rent or deferring their site rent until the home is sold (once the home is vacated), to support consumers where they are having difficulty selling. This would provide timely relief to home owners, better enabling them to move into alternative accommodation. Home owners would need to meet certain criteria to be eligible for the scheme. Some park owners already offer a hardship scheme.

Feedback indicated that many stakeholders were unsure about the potential impact of the buyback scheme on home owners. The bar graph shows 732 respondents considered the option would have a very positive impact on current home owners, 419 were unsure and 544 considered it would have a neither positive nor negative impact. 692 respondents considered the option would have a very positive impact on future home owners, 427 were unsure and 551 considered it would have a neither positive nor negative impact.

Figure 36. Consumer view of Option 11 impact on current home owners

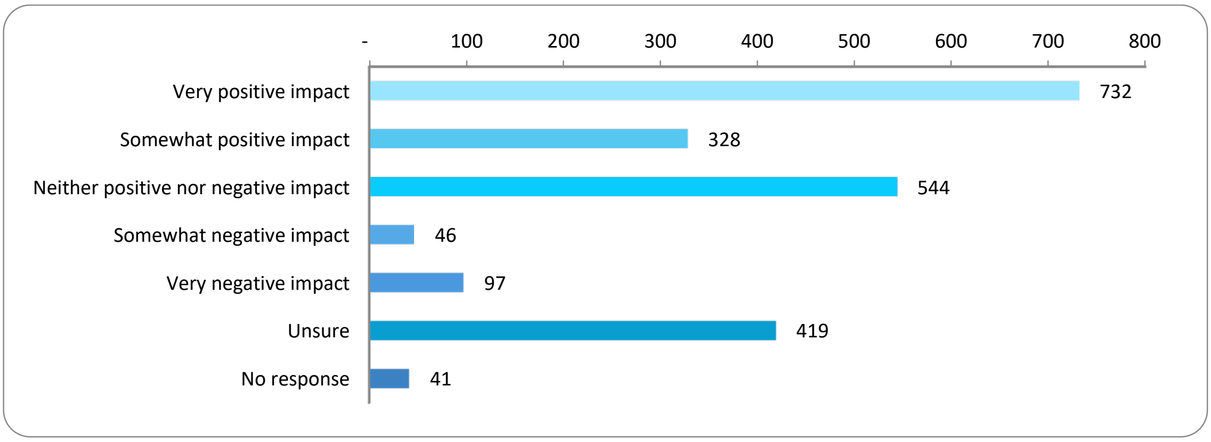
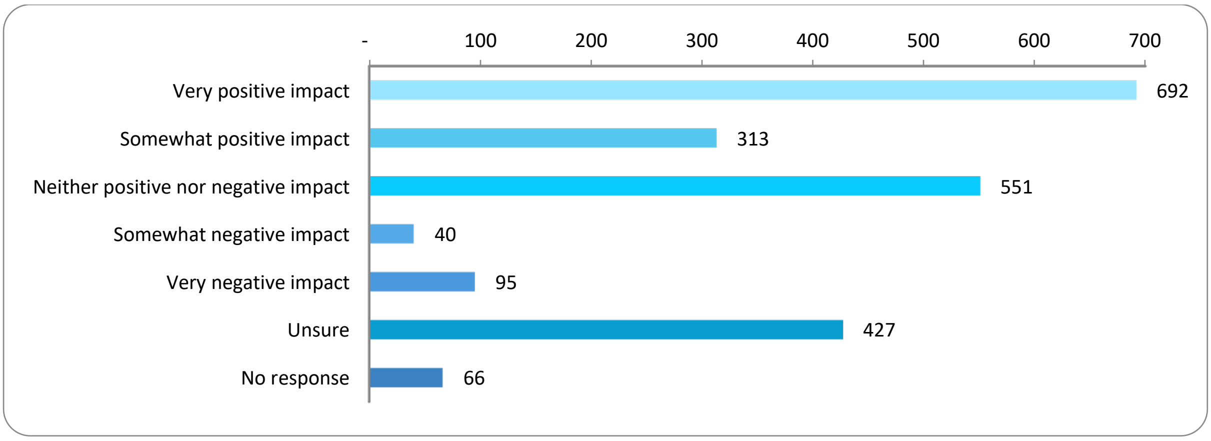


Figure 37. Consumer view of Option 11 impact on future home owners



9.2 Identifying a revised position based on stakeholder feedback

9.2.1 Revised position on site rent increase improvements

Stakeholder feedback on the three options related to site rent increases (option 4, 6 and 7) was very mixed. Home owners strongly supported reforms that alleviated pressure on rent increases. Conversely, park owner representatives expressed concerns about the longer-term impact of these reforms on park owners and implications for investment in parks. As such, balancing the interests of both parties in a final reform package for the DIAS was challenging and involved careful consideration.

Ultimately options 4, 6 and 7 have been retained in the final reform package, but with option 3 amended to reduce impact on park owners by allowing them to reset rents on the sale of a home. The combined effect of this reform package is a stabilisation of site rent while a home owner is living in a residential park when they are most vulnerable to cost-of-living changes, with allowances for longer term adjustments to market on resale when a purchaser is able to make an informed choice on whether the market rate is acceptable. Uncompetitive pricing which affects the exiting home owner is then disincentivised through mandatory buyback and site rent reduction schemes for unsold manufactured homes.

Option 4 – Limit site rent increases to prescribed basis

This option is proposed to be retained, primarily as a mechanism to provide consistency and comparability across residential park site agreements, and as a means of protecting against unreasonable, unclear or arbitrary methods of increasing site rent.

To this end, it is recommended that this option be implemented, but that prescription of approved methods be implemented with reference to broad categories of increase bases that are currently in use (unless otherwise prohibited under these reforms) based on further consultation with park owners and home owners. This largely captures a status quo position, but with stronger regulatory oversight of the site rent increase terms in site agreements into the future.

Further consultation with stakeholders will be important to ensure all appropriate bases in common use are captured within the framework.

Option 6 – Prohibiting market rent reviews

Stakeholder feedback indicated that prohibiting market rent reviews is a clear priority for the majority of home owners, with most indicating they expect the option to positively impact them.

There was very limited support from home owners for the options that improved market rent reviews (option 5), capped site rent increases to the higher of CPI or a fixed percentage (option 7), and limited increases to CPI-only (option 8) or expensed-based calculations for increases above CPI (option 9).

The retention of option 6 was subject to substantial consideration, including the following points:

- The recognition that park owners require flexibility to adapt to changing economic circumstances; but that this needs to be balanced against the needs of home owners to have transparent, predictable and fair site rent increase mechanisms. Predictability is considered to be an essential element to support decision making at the time home owners enter a park and make a significant financial investment, and for their ongoing housing security.

- Prohibiting market rent reviews is strongly supported by, and would benefit, home owners by reducing unpredictability and improving transparency. A key concern from home owners was that they did not understand the terms of their site agreement at the time of entering into the park and how site rent might increase in practice.

- Park owners expressed concerns around longer-term impacts from prohibiting market rent reviews. They said that the C-RIS may understate the risks and unintended consequences of prohibiting market rent reviews in existing site agreements, which were designed with market reviews as a mechanism for rent increases. Removing market rent reviews would result in variable and unpredictable site rent increases, depending on the secondary rent increase mechanism listed in the site agreement (if any). To mitigate the impact to park owners, a transitional measure will be included in the reform package to allow a park owner to apply to QCAT for alternative increase mechanisms where the absence of market rent review is likely to impact park viability, and adjustments to enable the reset of rents to market rates have been made to option 3. These mitigations are detailed further below.

- Prohibiting market rent reviews achieves the key objective of bringing about a long-term transition to more fair and transparent site rent increase mechanisms. Market rent reviews will not be one of the prescribed allowable methods for increasing site rent (option 4). The site rent increase bases which will be prescribed will be subject to further consultation with park owners and home owners, but is likely to include other common bases for rent increases.

While consideration was given to improving market rent review processes (option 5) as proposed by park owners, the option was considered unlikely to address the fundamental issues with the market rent review process identified in the C-RIS (despite further improvements being made to the option). The lack of predictability and transparency around market rent review increases are considered to be significant issues given the large financial investment home owners make upon entry. The option was considered to be costly, difficult to implement considering the number of specialist valuers, and potentially time consuming and difficult for home owners – as it relies on home owners to be involved, and to challenge and potentially dispute outcomes. Even where an improved process could be implemented, this is compatible with the policy objectives of promoting housing security for home owners, many of whom are vulnerable, and likely to grow increasingly more vulnerable as they age.

To alleviate some of the financial impact on park owners, and to mitigate the uneven impact of site rent increase restrictions and other potential unintended consequences, the following implementation measures are recommended to accompany reforms. These include:

- Transitional provisions in the Act which allow a park owner to apply to QCAT for a variation of site agreement terms (from the list of prescribed methods) where a market rent review clause has been removed from the site agreement, and the alternative method available under the agreement is insufficient for the profitable operation of the park. This course of action would be limited to parks with site rent settings under the level of the cap and will ensure parks with very low fixed rate increases as their alternative to market rent reviews are not disproportionately affected by amendments.
- Allowing park owners to align site rent to market levels on the sale of the home rather than requiring park owners to carry over the site rent amount of the existing agreement.

Option 7 – limiting site rent to the higher of CPI or 3.5%

Option 7 (limit site rents to the higher of 3.5% or CPI) attracted diverse views and feedback about potential impacts across residential parks.

There is a body of economic research suggesting that imposing rent caps requires careful consideration and analysis of the potential impacts and adverse consequences. Rental caps can, for example, result in inefficient allocations of resources, reduce mobility and disincentivise development, and interfere with the operation of free market forces.

However, there are important differences between the broader residential tenancy and residential park markets that require different regulatory responses to ensure consumers are protected from unfair business practices and are provided with reasonable security of tenure. These differences require consideration of the unique settings in residential parks.

Residential parks are largely isolated from market dynamics that might limit rent increases once development of a park is finished. While a purchaser can decide the price of site rent is too high, and not buying a manufactured home will exert some downward pressure on site rent, once a home owner has entered a park they have almost no market power due to their investment in a home the value of which is partially attributable to the conditions in and amenity of the park, and which cannot practically be moved.

In this context it is reasonable that a home owner should be able to estimate the ongoing costs of living in a park with some certainty, so that they can make an assessment about the degree to which the affordability of their home declines over time.

The retention of option 7 involved consideration of factors including:

- Other bases for increasing site rent have the potential to be as onerous, or more onerous than market reviews of site rent, which could persist, or be exacerbated in the absence of a limit on maximum site rent increases.
- Methods for increases such as CPI+2% are becoming increasingly more common, however in periods of high inflation such as those experienced in 2022 and 2023, this can result in very high rent increases. In these circumstances, a cap provides a ceiling on how much site rent can increase each year.
- Rent increases are not experienced evenly across the sector. A 3.5% cap is higher than the median compound annual growth rate of rents over the previous ten years for home owners who responded to the 2022 survey. The cap is therefore well targeted to provide benefit to a minority (36%) of home owners who have experienced increases above the 3.5% threshold either through high market rent reviews, or high fixed rates, or increases based on CPI plus a fixed percentage. These home owners may not be assisted by removing market rent reviews to prevent unexpectedly high rent increases alone.

- The level of the proposed cap (CPI or 3.5%) ensures that park owners are able to recover cost increases in line with inflation, or at a higher level of 3.5% in periods of low inflation, and this is expected to be broadly appropriate and maintain profitability for most park owners.
- While it is true that residential parks provide a broad spectrum of homes, amenities and services, ranging from affordable accommodation with limited services to premium resort-style retirement living with a broad range of services, facilities, and activities for home owners, the cost of such services is largely accounted for in the initial setting of site rent, which is not subject to any restrictions under proposed amendments. There are no impediments to parks offering premium service levels for higher starting site rents, or to offering services through separate fee for service contracts.

It is acknowledged that imposition of regulatory restrictions on the amount that site rents can increase has risks including:

- The impact of a cap on site rent increases imposes a greater cost on industry compared to other options, reducing the potential income of residential parks across the market by over $53 million over 10 years from reduced rate of increases.
- There is a possibility that reduced profitability and ability to adapt flexibly to market conditions will impact commercial confidence in the residential park industry as a profitable market to invest in. This could impact the forward development pipeline of residential parks, reducing a downsizing option for retirees, which in turn effects the supply of housing more broadly.
- The possibility, given the diversity of parks and their varying expense profiles, that a cap may limit capacity to cover cost increases and may limit future innovation in product offerings. The imposition of the cap in combination with the prohibition on market rent may increase risks to industry viability as a cap would prevent park owners from adopting high fixed rate increase mechanisms in new or renegotiated site agreements, to compensate for the loss of market rent review. Some home owners and park owners noted a move to a fixed percentage rent increase basis in some parks, reflecting a willingness of home owners to pay a potentially higher amount to ensure the predictability of rent increases. In such cases, a cap could undermine successful negotiations between stakeholders and disadvantage park owners.
- A cap, to the extent that it impacts park viability, could result in parks using special increase provisions in the Act to cover shortfalls in operating and repair expenses. Increases of this kind occur outside the terms of a site agreement, making them less predictable and transparent for home owners. They also subject parks to scrutiny about their financial circumstances as QCAT must consider whether the proposed increase is justified, adding administrative burden and complexity to the process.

On balance, and in view of the nature and extent of the problems which this option is seeking to address, it is recommended that stabilisation of yearly site rent increases through a cap at the higher of CPI or 3.5% as analysed in the C-RIS should be retained. Out of the options considered, this provides a consistent level of protection and sustainability across all site agreements and is an important contributing factor to the package of reforms that achieve the greatest net benefit for the community.

However, in recognition of the long-term impacts of capping site rent increases and prohibiting market rent reviews on the ability of parks to adjust rents to changing market conditions, changes to sale provisions are proposed to provide greater flexibility to park owners and offset the cost impact of reforms to park owners, as described below.

9.2.2 Revised position on sales improvements

While there are mixed views on the two options related to sales improvements – simplifying the sales process (option 3) and mandatory buybacks (option 11) – both options have been retained (albeit amended) based on their expected benefits.

Option 3 – simplification of the sales and assignment process

Based on the feedback received and consideration of the benefits of a buyer receiving new updated agreements, sellers being able to pass on beneficial terms, and a simpler sales process that will speed up sales, this option is retained as a preferred option. However, after taking into consideration the impact on park owners when combined with proposed site rent reform options (particularly prohibiting market rent reviews and limiting site rent increases), starting site rent and site rent increase bases will not be included in the beneficial terms which must be transferred to a seller. As a result, park owners will be allowed to reset site rent to current market rates on the resale of a home, as is done for 74% of site agreements based on 2022 survey data.

This revision is designed to address industry concerns about removing market rent reviews and will provide park owners with the ability to adjust to market rates at the end of a site agreement. With an estimated turnover rate of homes of approximately 5% per year, this provides an alternative to market rent reviews, albeit at a slower rate, and incrementally as home owners leave the park and new home owners enter.

While site rent and site rent increase mechanisms will be exempted, other aspects of a seller's site agreement such as the services, facilities, and amenities included will be carried over into new agreements on sale unless a buyer agrees to a variation. Implementation of this modified version of option 3 will benefit sellers and buyers with a simplified sales process and will protect the selling and buying home owners from being disadvantaged by park owners including new terms in site agreements that are less advantageous to home owners than those in the existing site agreement.

There is some risk in allowing park owners to set the rent in new agreements on sale as the rent level could impact on home owners' ability to sell their home and the price they receive. However, the expectation is that rents set by park owners should reflect rents being paid by new entrants across the market, and be relative to the rent that buyers of new manufactured homes are willing to pay. Risk of overpricing is also mitigated by the creation of a mandatory buyback and site rent reduction scheme. Further consideration of mitigations to ensure selling home owners are not disadvantaged will occur in consultation with stakeholders.

The adjustment to option 3 is estimated to generate a benefit for park owners of $7,720,697[63] over 10 years from new site agreements that would have otherwise had lower site rents under an assignment agreement. This compares to a $3,661,000 benefit for home owners in the C-RIS package from reduced site rent due to carry over of site rent from previous agreements. In either scenario, home owners are expected to achieve a benefit of $3,252,000 over ten years from reduced site rent due to faster sale times.

Option 11 – buyback and site rent reduction scheme for unsold manufactured homes

[63] This is estimate is based on modelling which assumes that 26% of site agreements would be assigned on resale under a status quo scenario with a turnover rate of 5%, Modelling assumes that home owners with an assignment agreement would be $10 per week better off compared to new site agreements based of 2022 survey data.

This option was broadly supported by consumers, with the caveat that it should apply more broadly and buybacks be required more quickly.

Industry representatives largely opposed this option on the grounds that while the impacts may be minimal in the current buoyant property market, the impact of additional liabilities in a slower market where delayed sales were more common could be significant. Some industry stakeholders also raised concerns about the financing implications of potential mandatory buybacks as liabilities, and the possibility of being negatively impacted by less competitive interest rates. This is broadly similar to concerns that were also raised when mandatory buyback schemes were introduced in retirement villages. Several industry representatives raised the alternative of a hardship scheme as a reform option, in place of the buyback scheme. Given the hardship scheme is a lighter-touch option compared to the buyback scheme, it was not considered to achieve the same outcomes or address the issues with the sale of homes and affordability for home owners to the same extent. As such, it was not included as part of this reform package. However, consideration will be given to supporting parks to provide and implement hardship policies in future given the merits of this option.

The intent of the buyback and site rent reduction scheme is to more fairly share risk between home owners and park owners to reflect the significant degree of control park owners have over aspects which influence the saleability and value of a home in a residential park, including the maintenance and amenity of the park, as well as the starting site rent and site increase bases in the majority of sales (this would increase to all sales where option 3 is implemented). It is also acknowledged that park owners have a significant financial incentive to sell new manufactured homes over pre-owned homes in a slower market, as unsold new homes generate no income for the park owner.

Conversely, compared to retirement villages, manufactured home owners have significantly more control in the sales process itself, and are able to live in their homes until it sells, present it and sell it themselves, and set the sale price.

On balance, it is considered that the proposal for a limited buyback scheme outlined in the C-RIS strikes the right balance of providing protection to vulnerable home owners, particularly those who have to exit their home to enter into age care, without unduly burdening park owners with significant new liabilities. Where park owners are likely to experience hardship as a result of buyback requirements, provision will include the ability for park owners to postpone buyback requirements on the grounds of undue financial hardship.

To reduce the impact of the regulatory proposal on parks which may otherwise experience financial difficulty meeting buyback obligations, the requirement for park owners to reduce site rent by 50% when a buyback extension is granted has been removed from the proposal. With the exception of this component, option 11 remains within the final reform package for its benefits of reducing risks to home owners, providing protections appropriate to the age and demographic of consumers in these parks, and providing an incentive for park owners to maintain the amenity and desirability of the park after the initial development phase. Monitoring of the take up and effectiveness of the buyback scheme, including whether extensions of time are sought by parks, may provide evidence to support future adjustments to the scheme.

9.2.3 Revised position on transparency improvements

The two options related to improving transparency – the park comparison document (option 2) and the maintenance and capital replacement plan (option 10) – have been retained for their benefits, but adjusted in order to minimise their impact to park owners. The finer details of the requirements will be consulted on with key stakeholders prior to implementation of the reforms.

Option 2 – require residential parks to publish a comparison document

In relation to the park comparison document (option 2), there was support from most home owners as well as many park owner representatives. However, concern was raised that there could be a disproportionate administrative impact on parks with a small number of manufactured home sites. As such, this option will be amended to include an exemption for small / mixed-use parks with a low number of homes.

Option 10 – require maintenance and capital replacement plans

In relation to the maintenance and capital replacement plan (option 10), some stakeholders raised questions over the details of the option – what the plan would include, how it would operate in practice and the involvement of home owners in the process. The plan now includes a requirement for parks to regularly consult with the home owners' committee on maintenance and capital replacement priorities for park. Industry representatives raised concern around the costs that holding funds in a trust would impose. In light of this concern, the requirement for maintenance and capital replacements funds being held in a trust account is not proposed at this stage. To reduce the potential administrative burden and cost of the plan, it is proposed to exempt parks with a low number of homes. Industry representatives also said that a plan would impact park owners' ability to adapt flexibly to change and unexpected maintenance issues that must be addressed. Further consultation will be undertaken prior to implementation of this option to determine the detail required in plans and the ways these plans should be used to guide routine maintenance of parks.

9.2.4 Identifying a final reform package

Based on the above considerations, a final reform package has been identified which includes:

- Option 2 – Require residential parks to publish a comparison document
- Option 3 – Simplify the sales and assignment process
- Option 4 – Limit site rent increases to a prescribed basis
- Option 6 – Prohibit market rent reviews
- Option 7 – Limit site rent increases to the higher of CPI or 3.5%
- Option 10 – Require maintenance and capital replacement plans
- Option 11 – Establish a limited buyback and site rent reduction scheme.

9.3 Preferred options in the DIAS, and change from C-RIS

The final preferred package of options is outlined in the table below, which also includes an explanation of how they differ from the C-RIS and the rationale for change.

Table 16. Options in the final reform package and change from the C-RIS

Option	Description	Change from C-RIS and rationale
Option 2: Require residential parks to publish a comparison document	• Parks must prepare a comparison document which is hosted on their website. This allows home owners to compare different parks and options before meeting with a salesperson. Small / mixed-use parks with a low number of manufactured homes are exempt from the requirement.	• Small / mixed-use parks with a low number of manufactured homes are exempt from the requirement. • The exemption will reduce the impact on parks with a small number of sites, as the option would be relatively more costly for these parks.
Option 3: Simplify the sales and assignment process	• This option involves simplifying the process of selling a home, including an updated disclosure process which eliminates the distinction between assignment agreements and new site agreements. • Under this option, all site agreements for prospective home owners will be new agreements with updated terms and information. However, buyers' agreements must carry over prescribed terms from sellers' agreements, except for site rent which may be reset to market rates.	• While the new buyers' agreements must carry over certain prescribed terms from sellers' agreements, allowances are made for park owners to align site in a new agreement with market rates subject to some limitations to ensure sellers are not disadvantaged. • The modification allows greater park owner flexibility to align site rents within their park and to the market. This helps to mitigate the impact from loss of market rent reviews (Option 6).
Option 4: Limit site rent increases to a prescribed basis	• This option requires new site agreements to use approved bases for increasing site rent. • Prescribed bases will initially capture existing methods used in industry, except for market rent review.	• List of prescribed bases should be developed in consultation with stakeholders with the intent of capturing most existing bases.
Option 6: Prohibit market rent reviews	• Market rent reviews can no longer be used as a rent increase basis. This will apply to existing as well as new agreements. • Market reviews to be replaced by alternative methods provided for in site agreement, CPI, or another appropriate basis agreed by parties or inserted by QCAT.	• This option is retained to ensure the ongoing cost of manufactured home ownership is transparent and predictable at the time of making a decision to enter a park and make a financial investment in a manufactured home. • Transitional provisions will ensure ability for QCAT to impose replacement agreement basis on application where necessary for business viability.

Option 7: Limit site rent increases to the higher of CPI or a fixed percentage (for example, 3.5%)	• This option requires that future site rent increases are capped at 3.5% per annum. Where CPI is above 3.5%, the cap would raise to CPI.	• No change. This option is retained with the prescribed cap set at the higher of CPI or 3.5% to ensure manufactured home ownership is sustainable for home owners.
Option 10: Require maintenance and capital replacement plans	• Parks must prepare a maintenance and capital replacement plan outlining the expected costs of maintenance and capital replacement in the residential park over a forward period of 10 years. • There will be further consultation on details of the plan, such as its inclusions, how it will be made available, how plans should be followed, and frequency of updates.	• Requirement for park owners to have a trust account for maintenance and capital replacement funds is removed to reduce administrative burden for parks and impacts on business flexibility. • Plans instead to focus on communication and consultation with requirements for parks to regularly consult with home owners' committee on maintenance and capital replacement priorities for park. • Small / mixed-use parks with a low number of manufactured homes are exempt. The exemption for parks with a small number of manufactured homes would minimise the impact on these parks, given the option would be relatively costly for them.
Option 11: Establish a limited buyback and site rent reduction scheme for unsold manufactured homes	• This option creates a limited buyback and site reduction scheme for unsold manufactured homes. Home owners can opt in to the scheme when they meet the following eligibility requirements: ➢ The manufactured home was sold new onsite by the park owner (or previous park owner) or, if the home was originally moved into the park, the park owner has at one time sold the home on site under a selling authority. ➢ The park owner has had selling authority and has	• The option is retained for the incentive it provides to prioritise sale of pre-owned homes and to better share risks between home owners and park owners. • Requirement removed for site rent to be reduced by a further 25% (50% total) where an extension of time is granted by QCAT due to financial hardship. This reduces the financial burden on park owners experiencing financial difficulty and provides greater flexibility for QCAT to make orders appropriate for the circumstances.

	tried to sell the home for at least **6 months**. • Where a home owner opts in to the buyback scheme the park owner and home owner must agree on a sale price for the home. If agreement cannot be reached, the home owner and park owner must engage a registered valuer to set a fair market price. The home owner must vacate the home at this stage and continue to pay site rent, however a 25% discount on site rent must be applied after 6 months where the home remains unsold. • Where a manufactured home is unsold for 12 months after the date of opt-in (**18 months in total after the park owner is appointed under a selling authority**), the park owner must buy the manufactured home. • Park owners can seek an extension of time from QCAT where the buyback would cause the park owner undue financial hardship. • The scheme would not change the current rights of a home owner to sell their home themselves or using an agent of their choice, and home owners can choose not to opt in to the buyback scheme.	

9.4 Impacts of final reform package

The table below outlines the costs and benefits of the final package of preferred options.

Table 17. Costs and benefits of the reform package for the community

Option	Summary of costs and benefits
Option 2: Require residential parks to publish a comparison document	Home owners • Improvement in satisfaction for prospective home owners from ease of comparison • Improvement in clarity and predictability of rent increases for prospective home owners • Potential increase in amenity • 2% reduction in disputes to QCAT, yielding cost savings of $208 to the home owner market over 10 years (NPV) • 5% reduction in time to sell homes for incumbent home owners, resulting in cost savings of $151 in 2023 to $195 by 2033, per home owner • The long-run (10-year) total savings to applicable home owners across the market is estimated at $1,626,000 (NPV) Park owners • Cost estimated at $687 per park, or approximately $5.94 per home for preparation of the initial comparison document and at $172 per park or approximately $1.48 per home for annual updates • Long-run cost for non-exempt parks over 10 years is estimated at $247,076 [64] • Potential increase in competition among parks may erode profitability, by placing pressure on rent increases or incentivising additional expenditure on park maintenance and facilities Government • 2% reduction in disputes to QCAT, yielding cost savings of $614 over 10 years (NPV) All stakeholders: market impacts • Neither demand nor supply are expected to change
Option 3: Simplify the sales and assignment process	Home owners • Potential for site rents to increase on resale for 26% of buyers who would have been assigned an agreement under the status quo. Anticipated long-run cost increase of $7,720,697 over 10 years from alignment of rents with market rates on resale • Reduction in rent from a reduction in sale time, up to $390 per home in 2033, estimated at a savings of $3,252,000 for home owners over 10 years

[64] It was estimated that approximately 36% of parks would be exempt (applying the share of single-owner mixed use parks as a proxy).

	• Potential improvement in clarity, transparency and fairness • Potential increase in sale prices • Removal of requirement for home owners to apply to QCAT for assignment orders Park owners • May simplify sales process as all agreements for prospective buyers would be new agreements • Long run benefit of $7,720,697 over 10 years from alignment of site rents with market rates for sites where agreements would have otherwise been assigned Government • Reduction in costs for QCAT to consider disputes about assignment. All stakeholders: market impacts • No impact on demand or supply
Option 4: Limit site rent increases to a prescribed basis	Home owners • Potential for higher rent increases ($349 (NPV)) on average, per home owner over 10 years (in the absence of additional site rent control measures) with a small cohort benefiting from a reduction in rent increases • Improvement in satisfaction, fairness, and affordability • Minor cost savings from reduced disputes Park owners • Potential for profit margin increases in the long run and at a faster rate than the base case, 0.8 percentage points higher than the market in 2033 • This would accumulate to approximately $335 per home and $3,300 per average park over a 10 year period (NPV) • Negligible cost savings from reduced disputes Government • Cost savings at approximately $436 by 2033 and $2,300 (NPV) over the coming 10 years compared to the base case All stakeholders: market impacts • Neither demand nor supply are expected to change
Option 6: Prohibit market rent reviews	Home owners • Significant benefits from improved predictability and transparency as new basis for increase will be known • Improvement in satisfaction and fairness, as market rent reviews are a significant source of concern for many home owners • The estimated average per home owner annual savings increases incrementally each year, to $35 by 2033. The long-run (10-year) savings to the average home owner in the market is estimated at $104 (NPV).

	• 70% reduction in disputes to QCAT, yielding cost savings of $7,300 to the home owner market over 10 years (NPV). Park owners • The reduction in profits is estimated at approximately $35 per home or approximately $4,100 per park by 2033. Estimated cost of $3,508,024 over 10 years • Reduced costs of market valuations estimated at $4,360,500 Government • Reduction in complaints to the department • The potential benefit to the government in cost savings is estimated at approximately $4,100 by 2033 and $21,500 (NPV) over the coming 10 years compared to the base case • Savings for government potentially offset by small increase in disputes during transition into new framework All stakeholders: market impacts Modest increase in demand not matched by supply may lead to upward pressure on manufactured home purchase prices.
Option 7: Limit site rent increases to the higher of CPI or 3.5%	Home owners • 36% of home owners (high rent cohort) experience a reduction in rent increases of $4,400 per home owner over 10 years (NPV) • Remaining 64% home owners anticipated to receive low or negligible benefits as existing rent increase basis below cap • Improvement in satisfaction, fairness, and affordability • 10% reduction in disputes to QCAT, yielding cost savings of $1,000 to the home owner market over 10 years (NPV) Park owners • Profit margin increases in long run but at a slower rate than the base case • Small initial increase in number of disputes to QCAT where park owners make use of transitional provisions Government • Cost savings is estimated at approximately $2,200 by 2033 and $11,500 (NPV) over the coming 10 years compared to the base case All stakeholders: market impacts • Small reduction in supply, and potential increase in demand due to lower profit growth incentives for park owners, and stronger consumer confidence due to stabilised rental increases

Option 10: Require maintenance and capital replacement plans	**Home owners** • Improvement in the transparency of financial information about park expenditure • Potential increase in amenity • 30% reduction in disputes to QCAT, yielding cost savings of $3,100 to the home owner market over 10 years (NPV) **Park owners** • Cost of approximately $10,000 per park in the first year to develop the plan, amounting to $86 per average home and approximately $5,000 per park each subsequent year, amounting to $43 per average home[65] • Reduction in profits is estimated at approximately $56 per home or approximately $6,500 per park by 2033 which would accumulate to approximately $404 per home and $46,800 per park over a 10 year period (NPV) • The total cost to park owners over 10 years is estimated at $9,497,100[66] Note the modelling assumes the plan is updated annually.[67] **Government** • Cost savings of $9,200 over 10 years (NPV) **All stakeholders: market impacts** • Holding demand constant, a reduction in supply would have the effect of increasing manufactured home purchase prices
Option 11: Establish a limited buyback and site rent reduction scheme for unsold manufactured homes	**Home owners** • Savings estimated at approximately 7-12% in rent, with savings increasing incrementally each year, to $291-$466 by 2033 • The long-run (10-year) total savings to home owners in the market is estimated at $2,424,000 - $3,887,000 (NPV) • Increase in certainty for home owners around park exit • Earlier access to funds, potentially enabling access to more suitable accommodation • Potential increase in amenity in parks **Park owners** • Reduction in site rent estimated at $6,000 per park over 10 years

[65] The estimates of costs to park owners of developing and maintaining the plan were reduced compared to the C-RIS, based on stakeholder feedback and given the maintenance plan is likely to leverage existing plans developed by park owners.
[66] Based on estimated cost per park over 10 years multiplied by the number of parks. This assumes a worst-case scenario in which all parks do not currently have maintenance and capital replacement plans and will need to dedicate resources to their development. Many parks are likely to already have plans in place as a matter of good practice and may already be substantially compliant with requirements. In this situation, parks will need to be transparent about the content of these documents and as a result, this cost may be overestimated.
[67] If the plan was instead updated every 3 years, the cost would reduce to $4,125,900.

	• Additional costs associated with buying and selling homes they buy back, including a mortgage registration fee ($209), legal and conveyancing fee ($1,600), and marketing costs ($1,250) • Financing cost of $399 per home per week equating to approximately $9,500 per park over 10 years • Benefit estimated at $4,700 per park over 10 years from increased frequency of sales commission • The potential tax implications of the buyback scheme (including GST) have not been considered in this analysis All stakeholders: market impacts • Increase in demand not matched by supply may lead to upward pressure on manufactured home purchase prices

9.5 Summary of the cumulative long-term costs and benefits of the reform package for the community

The table below provides a high-level estimate of the cumulative costs and benefits of the preferred package of options. The impacts are estimated over a 10 year period. These estimates are high level and intend to provide an indication of costs and benefits only. As the costs and benefits of options are not linear, may overlap, or compound in ways which are difficult to predict, the total provided is speculative.

9.5.1 Quantitative benefits over a 10 year period

Table 18. Indicative cumulative long-term costs and benefits of the reform package for the community

Benefit	Cost
Savings from reduced sale times for home owners • Option 2: $1,626,000 • Option 3: $3,252,000 • Option 11: $3,887,000 • Total: $3,887,000 - $8,765,000 (midpoint $6,326,000)[68]	Cost of park owners of preparing residential park comparison document • Option 2: $247,046
Benefit of park owner ability to reset site rent on resale of home from new site agreement • Option 3: $7,720,697	Cost to home owner from increased site rent on resale of home from new site agreement • Option 3: $7,720,697
Benefit of lower site rent increases for home owners • Option 6: $3,508,024 • Option 7: $53,429,904 • Total: $53,429,904 – $56,937,928 over 10 years (midpoint $55,183,916)	Reduced park owner profitability for lower site rent increases: • Option 6: $3,508,024 • Option 7: $53,429,904 • Total: $53,429,904 – $56,937,928 over 10 years (midpoint $55,183,916)
Reduced cost of market valuations for park owners • Option 6: $4,360,500	Cost of reduced site rent and buyback requirements for unsold homes • Option 11: $5,749,000
Additional park owner revenue from sales of unsold homes • Option 11: $957,000	Cost of implementing maintenance and capital replacement plans • Option 10: $9,497,100

[68] Range based on the maximum benefit of options 3 and 11 (assuming not all benefits are cumulative), and the added benefit of options 2, 3 and 11. The likely impact assumes partial accumulation of benefits depending on individual circumstances.

Benefit	Cost
Reduced disputes (assuming a cumulative 70% reduction in disputes[69] across all options): • $7,300 for home owners over 10 years based on QCAT application fees • $80,700 over 10 years for government[70] • Cost and time savings for park owners resolving formal and informal disputes: $8,925,000[71]	
Increased sales values from increased amenity and confidence in the residential park industry All options: Not costed	
Reduced burden on homelessness services All options: Not costed	
Total benefit to the community as a whole The reform package results in an estimated total financial benefit across the market of $83,561,113	**Total cost to the community as a whole** Reform package results in an estimated total financial cost across the market of $78,397,759

Table 19. Indicative total long-term costs and benefits on key stakeholders

	Home owners	Park owners	Government
Total benefit	$63,138,716	$21,963,197	$80,700
Total cost	$7,720,697	$70,677,062	-
Net position	$55,418,019	-$48,713,865	$80,700

[69] 70% based on the maximum estimated for the benefit of option 6, conservatively assuming additional reductions are unlikely to be cumulative beyond that.
[70] Based on cost of disputes at QCAT from 2021-2022 annual report. This is likely underestimated due to the length and complexity of residential park disputes.
[71] Assumes a 70% reduction in disputes, with an hourly rate of $50 for park managers and 100 hours per year per park spent on formal and informal disputes about site rent and sales.

9.5.2 Qualitative benefits and costs

Table 20. Qualitative benefits and costs of the reform package

Costs
Reduced supply / increased price of manufactured homes for prospective home owners A consequence of improved consumer confidence and stronger consumer protection, combined with potential for reduced supply from lower profitability of residential parks, and potential uncertainty regarding future rental increase mechanisms in the immediate term, may result in upward pressure on the purchase price of manufactured homes for prospective home owners.
Benefits
Greater transparency in site agreements for home owners Home owners will experience benefits from improved capacity to shop around, make informed decisions and understand how their site rent is contributing to the upkeep and maintenance of the park. This is likely to be reflected in improved consumer satisfaction measures and confidence in the industry generally, benefiting both home owners and park owners. **Fairer site rent increases** The reform package directly addresses many of the fairness and equity concerns related to site rent identified in chapter 3 and address imbalances in market power (see causes 3 and 4). This will make the process of increasing site rent fairer, less complex and less intimidating to home owners, particularly vulnerable home owners without capacity to self-advocate. **Improved amenity** The reform package is expected to improve the amenity of residential parks due to added transparency and improved incentives to maintain parks to facilitate timely sales. **Improved security of tenure** Reducing the rate at which affordability declines will improve the security of tenure for manufactured home owners. **Improved consumer satisfaction and confidence** Stronger consumer protections and greater predictability about site rent increases, improved amenity, and timely sales are likely to improve consumer confidence in the residential park industry resulting in increased consumer satisfaction measures. This, in turn, may increase prices for manufactured homes for existing home owners as residential parks become a more desirable housing option. The impact of this effect cannot be quantitively estimated. **Improved health and wellbeing outcomes** Improved housing security, reduced housing stress and greater availability of financial resources to spend on non-housing costs are likely to deliver health and wellbeing outcomes compared to the status quo, as home owners are able to spend more on necessities such as food, medication, transport, as well as health and wellbeing services.

Reduced burden on government

A reduction in complaints and investigations related to site rent increases is likely to reduce the burden on government.

Reduced burden on homelessness services

Increasing housing affordability and security for home owners could reduce the burden on the public housing system and reduce the cost to the community associated with homelessness and accessing homelessness services, which is estimated at approximately $310,000 over 10 years[72]. This cost has not been factored into the calculation of net benefits as there is insufficient data to reasonably estimate the number of home owners who may experience homelessness under the reform package compared to the status quo,

Increased capital gain for existing home owners

Improvements to housing security, affordability of site rent, and greater satisfaction is likely to make residential parks a more attractive housing option compared to the status quo. This will likely increase demand which, if not met by supply, will apply upwards pressure on the cost of purchasing a manufactured home.

Stronger spending in local economies

Reducing housing stress for manufactured home owners is also likely to have indirect benefits to local economies as a greater percentage of a home owners' income can be used to purchase products and services in the local community. However, there is insufficient data to estimate this effect.

[72] Based on pro rata calculation on the estimated cost of $186,000 per person over 6 years, Pathways to Homelessness Final Report, December 2021, https://www.facs.nsw.gov.au/download?file=823631

9.5.2 Qualitative benefits and costs

Table 17. Qualitative benefits and costs of the reform package

9.6 Conclusions on the cost and benefits of the reform package

Based on the above assessment of the estimated costs and benefits to the community the reform package is estimated to deliver a quantitative net benefit of $5,163,354. This is prior to consideration of qualitative benefits and benefits which could not be costed.

In total, the package as a whole proposes a significant redistribution of benefits, amounting to an estimated benefit of $55,418,019 for home owners, and an estimated cost of $48,713,865 for park owners across the market over 10 years.

Most of the quantitative benefits of this reform package are experienced by home owners who benefit from slower rates of increase in site rent compared to the status quo and reduced sale times, cost savings of reduced disputes to the community, as well as substantial non-financial benefits from improved transparency, predictability, fairness, reduced conflict, improved quality of life and greater housing security. A broader benefit of the package is improved consumer confidence in the residential park industry, which has the effect of driving demand and expanding the potential market and profitability of residential parks at rates which cannot be accurately predicted.

The impact of these reforms on housing supply and demand are complex. In the absence of such reforms, low consumer confidence and satisfaction measures and reputational issues could make residential parks less attractive than other options, reducing demand and affecting growth in the industry. To this extent, reforms support demand in the industry which is beneficial to both existing home owners and park owners, as high levels of confidence support stronger sales prices and allow park owners to establish higher starting rents when parks are developed (albeit with lower potential for growth over time). Conversely, increased regulatory constraint on rent increases introduces greater risk, and reduces adaptability for park owners. This has the potential to make investment in future developments in Queensland residential parks less attractive for developers who may seek to pivot into development in less regulated jurisdictions.

The quantifiable benefits to government, though positive, are likely understated, as the package will have positive impacts on services that are funded by government such as the Queensland Retirement Village and Park Advice Service, home owner advocacy and support groups, and the education, enforcement and compliance activities of the department's Regulatory Services Unit. These services will continue under the proposed package of options, and thus their costs have not been included, however the reduced burden on these services is likely to improve the quality of these services by freeing up resources for more proactive and educative work that reduces costs over the medium to long term.

The preferred package of reform options is expected to provide a net benefit to the community. Given the relatively high rates of profitability within the residential park industry, a redistribution of benefits to home owners is reasonable and appropriate, particularly as some benefits for park owners can be attributed to a lack of consumer protection in residential parks in comparison to other seniors housing such as retirement villages. While the reform package is not anticipated to make residential parks unviable, it is expected to reduce growth in profitability which may make the development of residential parks less attractive than other uses of land. This may, in turn, affect development decisions and slow the growth of the industry in Queensland.

It is possible that in some circumstances individual park owners may experience financial difficulty due to the reforms, subject to their individual circumstances and business models.

Where this occurs, parks may need to make use of mechanisms in the Act which allow for special adjustments in rent to fund operational and repair costs where necessary to maintain park viability. Similarly, parks which are likely to experience undue financial hardship due to buyback requirements may need to seek an order delaying a buyback. As a result, while regulatory changes proposed in this DIAS remain subject to reasonable safeguards against park closures, there may nonetheless be an increase in administrative burden for parks who need to make use of these safeguards.

Chapter 10: Additional recommendations, consistency with Human Rights and Fundamental Legislation Principles, and implementation

10.1 Additional recommendations

Nine additional improvements to the regulatory framework, outside the scope of the primary reform group, were identified in the C-RIS.

These options are considered to have manageable negative impacts while providing benefits identified in the table below. The table also includes a summary of stakeholder views on the recommendations. The additional recommendations were less of a focus in the feedback received, compared to the primary reform options discussed in previous chapters. In general, where feedback was provided, home owners tended to be more supportive of the recommendations, while feedback from park owner representatives tended to be unsupportive or mixed. Most stakeholders supported the recommendation to develop a registration system for manufactured homes.

Table 21. Additional recommendations

Recommendation	Likely impact	Stakeholder views
Fair rent increase mechanisms and security of tenure The objects of the Act should be amended to recognise fair variation of site rent and fair security of tenure for home owners as main objects of the Act.	This recommendation is not anticipated to impose any direct costs but will assist in interpretation of the Act and may improve consumer confidence and satisfaction with the Act.	There were a mix of views on this option. Some home owner and consumer groups supported this option, and industry representatives did not.
Residential parks register The Act should be amended to require registration and suitability requirements for residential parks, similar to those applying to retirement villages.	Registration fees may apply to park owners. Consultation on fees would occur prior to implementation. Park owners will not be able to operate residential parks where they have relevant convictions.	Home owners supported this recommendation. Some suggested that park managers should be required to hold a relevant qualification. Limited support from park owner representatives.
Registration system for manufactured homes A registration system for manufactured homes should be developed to enable home owners to register ownership of their home, and support buyers	This will likely involve costs to Government to develop the framework to support this register. This will require further project scoping including about potential costs.	Home owners, consumer and legal advocacy groups and industry representatives strongly supported this recommendation.

Recommendation	Likely impact	Stakeholder views
to confirm that the seller of a home has the legal right to sell it.		
Stronger protection for a home owner's investment on termination of a site agreement The Act should be amended to allow a home owner to sell their manufactured home where their site agreement is terminated by QCAT under s.38 of the Act. A home owner is required to give vacant possession where their site agreement is terminated under s.38. For example, where there has been unremedied breaches of the site agreement, destruction of property, violence, or repeated interferences with residents' quiet enjoyment of the park.	A home owner is required to give vacant possession where their site agreement is terminated under s.38. Terminations under s.38 are rare. This recommendation would enable a home owner to sell their manufactured home on site rather than providing vacant possession so: • the home owner can recoup their investment in the home positioned on site • the home owner is not required to pay for the removal of the home from the site. This could save a home owner money in the rare event of a termination while retaining a park owner's capacity to manage the community and enforce their site agreement. The impacts on park owners, government and home owners are anticipated to be negligible.	Some support from home owners, and limited support from park owner representatives. One legal advocacy group considered the vacant possession requirement should be removed.
Mandatory buybacks where site agreement terminated for reallocation of land A park owner may apply to QCAT for an order terminating a site agreement to use the land for another lawful purpose. The Act should be amended to clarify that a compensation order by QCAT in these circumstances	When making a compensation order under s.40 of the Act, QCAT may have regard to anything it considers relevant. QCAT has considered the movability of a manufactured home resulting in a compensation order reflecting a reasonable purchase price for the home.	Some support from home owners, limited support from park owner representatives.

Recommendation	Likely impact	Stakeholder views
may require the park owner to buy the manufactured home from a home owner where the home cannot practically be moved to another residential park.	This recommendation does not expand the scope of compensation orders that QCAT can make but provides contemporary guidance on matters which may be relevant when determining what level of compensation is fair and equitable in the circumstances. The practical impacts of this option are anticipated to be negligible.	
Make clear that there can be no charging of exit fees to home owners Amend the Act to resolve ambiguity around charging retirement village-style exit fees and clarify that such fees are prohibited under the Act.	In some circumstances, park owners have sought to charge fees on a home owner's departure from the residential park in addition to the commission payable as a selling authority for the home. Clearer regulations around this practice may reduce ambiguity around the interpretation of certain terms, reduce disputes and aid compliance activity.	This was supported by home owners. Some home owners indicated they had exit-style fees in their site agreement (such as 'refurbishment' fees) and supported greater regulation to prevent such fees from being included in site agreements. This option tended to not be supported by industry representatives. One legal advocacy group said that this recommendation should not prohibit the deferral of site rent until sale of the home, that is available in some parks to home owners that are struggling to pay their rent.
Definition of 'manufactured home' Amend the definition of 'manufactured home' in the Act to reflect the contemporary residential park industry.	This recommendation is not anticipated to have any impacts.	It was widely agreed by home owners that the definition of a manufactured home is no longer relevant in many cases; in particular, many homes are not easily moved. A small minority of home owners

Recommendation	Likely impact	Stakeholder views
		expressed concerns about the implications of a change in the definition of a manufactured home for their Commonwealth Rental Assistance eligibility. Views from industry were mixed, and concerns were raised about unintended consequences of this decision.
Definition of CPI Amend the Act to specify a definition for CPI that must be used for a CPI-based increase of site rent in the future.	This recommendation would provide greater clarity and consistency for home owners. Further consultation will be undertaken on which definition is most appropriate, with consideration given to the All-Groups Brisbane CPI, Weighted Average of Eight Capital City CPI, and the Weighted Median of Eight Capital Cities CPI.	Views from home owners were mixed. Some were supportive of applying a specific definition of CPI for clarity; however, there were a range of views on which measure of CPI should be prescribed. Many supported the use of the Australian CPI to be consistent with that considered in age pension increases. Others preferred the use of a local CPI. Limited support from park owner representatives.
Improved precontractual disclosure Further improvements can be made to precontractual disclosure documents and site agreements to improve the presentation and clarity of information for consumers, particularly around predictions of costs and utilities. Amendments to the Act may be necessary to support these changes.	There would be a small resource cost to government associated with designing new approved forms and templates. There may be a small cost to park owners associated with updating site agreements to meet any new requirements, where those park owners do not use the template site agreement published by the department.	Home owners and consumer representative groups supported this recommendation, while views from industry were mixed.

The additional recommendations proposed in the C-RIS have been retained, except for the following:

- Make clear that there can be no charging of exit fees to home owners
- Definition of 'manufactured home'

While the intent of these recommendations, particularly those related to redefining the meaning of a manufactured home are broadly supported, they are not included as additional recommendations in this DIAS due to concerns about the potential impacts on existing practices, and potential unintended consequences which were not fully considered or analysed in the development of the C-RIS. Further analysis of these proposals should be undertaken, including consultation, before they are further progressed.

10.2 Consistency with fundamental legislative principles

Section 4(3) of the *Legislative Standards Act 1992* states that whether legislation has sufficient regard to the rights and liberties of individuals depends on whether, for example, the legislation does not adversely affect rights and liberties, or impose obligations retrospectively.

The proposal to prohibit market rent reviews (Option 6) will retrospectively affect the rights and obligations of home owners and park owners by altering site agreements entered into prior to amendments by voiding terms which allow market rent reviews to be undertaken. The proposal will not unwind, or undo market rent reviews which have already been undertaken, and market rent reviews which are in progress at the time that amendments commenced will continue to be valid under proposed transitional provisions, however market rent reviews of this kind will be subject to provisions which cap the maximum annual increase in site rent.

Option 7, which imposes a cap on the maximum site rent increase (at the higher of CPI or a 3.5%) will similarly affect site agreements entered prior to amendments commencing.

Variations of existing site agreement terms entered into prior to recommendations being implemented are important components to this package of legislative reform to ensure consumer protections are applied equally to all home owners. Without retrospectively impacting existing site agreements, current home owners would be disadvantaged compared to new home owners. This would likely result in disharmony within parks, and disputes with park owners during the renegotiation process.

To address the impacts and potential unintended consequence of retrospectively altering site agreements, it is recommended that amendments include transitional measures which enable QCAT to alter site agreements and substitute terms where failure to do so would result in unjust outcomes for a park owner, for example where they would default onto an increase basis that could not viably support the operation of the park.

10.3 Consistency with human rights

Section 24 of the *Human Rights Act 2019* (HR Act) provides that all persons have the right to own property alone or in association with others, and that a person must not be arbitrarily deprived of the person's property. 'Property' is defined in the *Acts Interpretation Act 1954* as meaning 'any legal or equitable estate or interest (whether present or future, vested or contingent, or tangible or intangible) in real or personal property of any description (including money), and includes things in action.' Property, for the purposes of s.24 of the HR Act, likely includes money as well as the normal incidents of property such as the freedom to acquire and dispose of property (or not acquire and dispose of property).

All options considered in the DIAS are likely to engage the property rights of home owners and park owners to some degree, primarily acting to protect home owner rights and in some circumstances limiting park owners' property rights to the extent necessary to mitigate imbalances in power and preserve home owner rights.

For both groups, the largest impact arises from option 11 (limited buyback and site rent reduction scheme). Under this option park owners may, in certain limited circumstances, be required to acquire a consumer's manufactured home to improve home owners' ability to exit the park. Such a requirement is not arbitrary and provides park owners with value in exchange for the capital they are deprived of from the purchase of a manufactured home. Within the proposed framework, mitigations are included to reduce the impact on park owners. The proposed framework strikes a reasonable balance between the importance of the limitation's purpose, and the importance of preserving human rights, taking into account the nature and extent of the limitation.

Options considered in the DIAS, particularly those which impact the sustainability of site rent (options 4, 5, 6, 7, 8 and 9) are likely to also indirectly engage with and act to preserve other human rights protected under the HR Act, including the protection of families, the right to privacy, the right to freedom of movement and the right to health.

Section 25 of the HR Act recognizes the right of a person against having their privacy, family, home or correspondence unlawfully or arbitrarily interfered with. The additional recommendation in the DIAS to establish a framework for the chief executive to publish a register to support proof of ownership of manufactured homes has the potential to engage a person's privacy to the extent that the register involves collection, storage and publication of individuals' personal information.

Before this recommendation could be implemented, further work is needed to scope out the cost, benefits, requirements and challenges of establishing a register, including consideration of the data security requirements of such a system.

10.4 Implementation

Implementation of recommended options should be progressed in stages to ensure timely delivery of protections related to site rent and sales, while allowing sufficient time for development and co-design of new forms and notices, and any necessary supporting regulations.

Existing forms and notices will also need redesign to reflect updated requirements.

For options which require action from the park owner, such as the development of maintenance and capital replacement plans, sufficient lead time should be provided for park owners to meet new requirements.

Given the changes to current practices, education material for home owners and park owners should be designed to support compliance with new requirements.

10.5 Assessment

A survey of manufactured home owners should be undertaken within 3-5 years of commencement of amendments to identify the impact of changes on home owners and park owners.

Success of reforms should be measured against objectives identified in the DIAS, consumer satisfaction measures, and from an assessment of improvements or declines in sustainability for home owners and park owners.

10.6 Measures of success

Success of reform measures should be assessed against the outcomes identified in Chapter 4.

It is recommended that further surveys of manufactured home owners are undertaken at regular intervals to assess the impact of reforms in achieving the policy objectives, as well as satisfaction measures to assess community sentiment in relation to the residential park industry and the effectiveness of consumer protection measures.

Appendix A: Methodology

Appendix A provides further detail on the methodology, assumptions and calculations underpinning the analysis of the impacts of options. It contains information on:

- Base case methodology and assumptions
- Impact methodology and assumptions
- Reform comparison groups used for impact analysis

Note that for most calculations utilising survey data, analysis was limited to data from respondents who had been in a residential park for at least 12 months and no more than 5 years, unless otherwise stated. The assumptions and methodologies for the base case are provided in the following table.

Table 22. Base case methodology and assumptions

Item	Value	Data Source
Number of manufactured homes	23,500	CHDE register of manufactured homes
Number of parks	203	CHDE register of manufactured homes
Number of homes to be developed	9,900 in total 2,500 sites in 1-4 years 2,200 in 3-5 years 5,200 in 3-9 years	Economic analysis of residential park industry Site under construction with operational parks expected to be completed within 1-4 years (near term) Sites under construction with civil works commenced expected to be completed within 3-5 years (medium term) Site proposed with construction yet to commence expected to be completed within 3-9 years (long term)
Number of parks to be developed	55	Economic analysis of residential park industry
Average number of homes in park	116	Total homes (23,500 divided by total parks)
Average weekly site rent	$188	2022 survey
Average rent increase	2.90%	2022 survey, calculated using a Compound Annual Growth Rate (CAGR) for the market, based on starting rent, current rent and length of time in the park

Item	Value	Data Source
Average weekly expenses	$181	Economic analysis of residential park industry. Gross profit margin (excl overheads) calculated as the midpoint of 15 and 30% (i.e., 22.5%), with other expenses consequently accounting for 77.5% of revenue. Based on responses from the market sounding, overheads on average account for 19% of total expenses (so other expenses = 81% of total expenses). As such, expenses were estimated to account for 96% of revenue.
Average expense increase	2.22%	Calculated using a CAGR for the market, based on expense value in year 0 and expense value in year 10. The individual expense categories are increased in line with the relevant WPI or CPI subcomponents over the 10 years. The following individual expenses and growth rates were used to calculate a category-weighted expense value for each year: • Employment (31%), increasing by 2.1% p.a. (using WPI) • Overheads (19%), increasing by 2.6% p.a. (using CPI) • Occupancy costs / repairs and maintenance (13%), growing by 3.2% p.a. (using CPI subgroup: maintenance and repair of the dwelling) • Utilities & Statutory (33%), increasing by 1.6% p.a. (using CPI subgroups: utilities + property rates and charges) • Insurances (4%), increasing by 3.0% p.a. (using CPI subgroup: insurance).
Average sale time	15.6 weeks	Calculated using survey Q54. 56.5% of respondents sold their home in less than 3 months, 31.3% sold in 3-6 months, 9.6% sold in 6-12 months and 2.6% sold in longer than 12 months. An average time for sale for each category was assumed, based on the midpoint for the first three categories and assuming a value of 78 weeks (18 months) for the respondents that sold their home in longer than 12 months.
Average turnover	5.0%	Midpoint of values based on the 2022 survey Q51 (0.9%) and 2013 survey Q9 (9%). The value for Q51 in 2022 survey was calculated as the number of people currently trying to sell their home divided by the total number of people.

Item	Value	Data Source
Average cost to government of QCAT dispute	$1,033*	QCAT 2021-22 annual report *Cost to government may be underestimated in impact analysis as residential park disputes are likely to be longer and more complex than an average dispute.
Cost of QCAT dispute application	$367*, or $0 for pensioners	QCAT *Cost of dispute may be underestimated where additional cost applies for formal dispute mediation by a QCAT appointed mediator.
Cost of valuation for market rent review	$7,500 per park per year	Estimate based on feedback on market valuation costs in 2021. A growth rate of 1.16% p.a. was applied (using CPI subgroup: financial services).

The following table provides the general assumptions and methodologies for each reform impact. All home owner impacts have been reported on a per-home basis. The impact to the entire home owner market, therefore, is much larger. It should be noted that this total market-wide home owner impact can be expected to grow each year, in line with annual new home development estimated from economic analysis of the residential park industry.

Table 23. Impact methodology and assumptions

Impact	Method
Reduced rent increases	The rent increase under each reform was calculated by developing a 'reform proxy group' consisting of those survey respondents that shared the characteristics of the option (e.g., for option 4, this considered survey respondents that currently only have their rent increase by CPI). Historical rent increases for each reform comparison group (or the entire market) were calculated by taking a median of the CAGR for each survey respondent in the reform comparison group (or in the entire market). This calculation uses the starting rent (Q11), current rent (Q12) and length of time in park (Q6) for each home owner. Outlier CAGRs were removed by eliminating those which were less than or equal to zero, or greater than 1. The median historical rent increases were used to calculate future rent prices over the next 10 years. Multiplying weekly rent prices by the number of weeks in a year gave the estimated rent per year per home owner. NPV of reduction in rent increase per home = NPV of rent for market – NPV of rent for reform comparison group.

Impact	Method
Reduced rent from decrease in time taken to sell homes	Homes were assumed to sell in 10% less time for option 3 (simplified sales process) and 5% less time for option 2 (park comparison document) under the reform, compared to the base case. Base case: The proportion of homes selling in less than 3 months, 3-6 months, 6-12 months and more than 12 months was estimated based on survey Q54. For an estimate of the average sale time within each category, a midpoint value was adopted for the first three categories, and a value of 78 weeks was adopted for the 'More than 12 months' category. A weighted average of the time taken to sell each home was calculated based on this data and used to calculate rent per home. Reform: The proportion of homes selling in each category was held constant and the average number of weeks taken to sell a home within each category was reduced by 10% (for option 3) and 5% (option 2). A weighted average of the time taken to sell each home was calculated based on this data and used to calculate rent per home.
Reduced rent from decrease in sale time and reduced level of rent while homes remain unsold	To calculate this impact to home owners, a similar approach was taken as the *Reduced rent from decrease in time taken to sell homes*, described above. For option 11, two alternative scenarios to the base case were considered. Under each, the proportion of homes selling was held constant. This approach assumes all home owners opt-in to the buyback scheme. Option 2. *Reduction in rent after 6 months + Reduction in sale time for homes that would otherwise sell in more than 12 months* This method reduces the rent payable on homes that would otherwise sell in more than 6 months by 25%, as per the option's requirements. It also reduces the average sale time for homes that would otherwise sell in more than 12 months (i.e., assumed to sell in 18 months) to 16.5 months, given homes must be sold within this timeframe or park owners are required to buyback the home. Home owners do not have to pay rent on unsold homes after 12 months has passed if the home is vacant. The impact to park owners is calculated as the cost of receiving reduced rent from homes selling in 6-12 months, and the cost of receiving no rent from homes selling in more than 12 months, where the home is vacant.
Cost of purchasing home (option 11)	Direct costs of purchasing a home: Mortgage registration fee estimated at $209 per sale, based on estimates from NAB for Queensland for an average sale price of $363,740. Legal and conveyancing fee estimated at $1,600 per sale, based on estimates from NAB (midpoint of $700 and $2,500). Park owners were assumed to borrow to secure funds to buy back homes and face the cost of interest payments on the loan while the

Impact	Method
	home remains unsold. A comparison for the cost of borrowing these funds is the RBA lending rate for small business (Table F5, series ID FILRSBVRT). An average of the rates from the last 5 years (from July 2017 to June 2022) equates to 5.72% per annum. At the industry level, park owners are expected to borrow the total value of homes sold in the industry that year (for example, in 2024 this would equate to around $11,381,000: Value per home ($363,740) x Industry home sales (1,199) x Proportion not sold within 12 months (2.6%). The lending rate was applied to the total value of homes to calculate a cost of borrowing for the period a home remains unsold (estimated at 4.5 months from the time of the park owner purchasing the home).
Cost of selling home (option 11)	Marketing costs estimated at $1,250 per sale, based on economic analysis (midpoint of $1,000 and $1,500). There would also be costs of administration, such as extra staff time to coordinate the sale.
Commission revenue from sale of homes (option 11)	Based on Q60 of the survey, 61% of homes are assumed to be sold by a park owner or manager. Therefore, for homes that do not sell within 12 months, park owners will receive commission revenue for 39% of these. For homes with a sale price over $18,000, park owners may receive commission of $900 plus 2.5% for the amount over $18,000. This impact equates to additional revenue to park owners of $9,994 per home, based on a sale price of $363,740.
Decreased profitability	Reduced park owner profits were calculated by comparing profit under the base case to profit under the option over a 10-year period. Park owner revenues are assumed to equal total rent, calculated in ‘reduced rent increases’ for each option. In reality, some park owners receive a small amount of income from other sources (such as sale commission), so the estimated revenue represents a lower bound. The base case takes the rent for the market group. Park owner expenses are the same for most of the options and the market, calculated by using current park expense data (estimated at $188/week which is 96% of park owner income (per economic analysis) and corresponding growth rates (ABS, 2022c) for each expense category. The growth rates represent 5-year CAGRs using year-end June values for 2017 and 2022. However, under option 11, expenses are greater than the base case. The average expense increase calculation (2.22% p.a.) was used to calculate a category-weighted expense value for each year. Annual profit = Annual revenue – Annual expense Reduction in profit = NPV of profit for base case – NPV of profit for option

Impact	Method
Decrease in number of disputes	**Number of disputes** A starting value of 16 disputes (average number of hearings, 2019-2021) was applied to 2023, which represents 7.9% of parks. To calculate the starting value of disputes each year, this proportion was applied to the total supply of parks. Assume 80% of disputes relate to rent and 20% relate to other matters. **Cost of disputes** QCAT cost of dispute based on value in 2021-22 annual report. Cost to disputing party based on QCAT cost of application, $367 or $0 for pensioner. Assume 100% of rent disputes are from home owners, of which 80% are pensioners. Assume 0.97% of disputes lead to hearings and require home owners to pay for an independent valuation of $7,500. For all costs, an annual growth rate of 2.64% was applied (CPI, 5-year CAGR using June 2022 and June 2017 index values). **Savings from a reduction in disputes** Number of disputes under reform = (starting value of disputes) x (1 - % reduction in disputes under reform) Annual savings = (starting value of disputes - number of disputes under reform) x (cost per dispute) **Limitations** This calculation is conservative and does not capture the full costs of disputes, for the following reasons: (1) Only the direct financial cost of QCAT disputes has been calculated. The time and effort involved in these hearings, which can be over multiple years, can be substantial and impose a range of costs on the involved parties. (2) The impact on QCAT disputes is just one part of the total costs faced as part of the dispute resolution process. A QCAT hearing is the third step of the dispute resolution process. The costs involved in the first two steps of the process (park level negotiation and mediation) have not been counted due to difficulties in doing so. These include the cost of time and in some cases legal representation for the home owner and/or park owner. (3) The cost per dispute to QCAT is taken from the QCAT annual report and is not specific to manufactured homes. The actual cost is likely to be higher, based on the complexity of these disputes. The number of disputes is very conservative. It is calculated assuming all disputes occur at a park level, rather than by individual home owners. As such, this approach underestimates the true number of disputes.

Impact	Method
Changes in supply, demand, and home prices	Qualitative discussion around market force impacts is guided by economic insights based on the option's impact on each stakeholder group. Park owner investment decisions will be based on the performance of residential parks by comparison to other land use options. As per cost benefit assessment guidelines, the analysis in this report is based on a comparison to the base case only and no consideration to the potential performance of other land uses has been applied.
Improvement in satisfaction, fairness, and affordability	Changes in home owner perceptions about rental affordability, fairness of park business practices, and clarity and fairness of the process for varying site rent were calculated by comparing survey responses between the reform comparison group and the market as a whole. Significant differences between the groups were highlighted by comparing the proportion of each group who answered questions either in favour or not in favour of the stated home owner perception. The following survey questions (and answers used in our assessment) were used to analyse a change in home owner perceptions under an option: Q39: Has a site rent increase affected your ability to afford other essential items, for example groceries, utilities, transport, medical care or insurance? (Yes) Q40: Are you concerned that living in your residential park could become unaffordable in the future? (Not at all) Q86: Do you agree or disagree with the following statements? • There is a clear and fair process for making, assigning and ending site agreements. (Somewhat agree or Strongly agree) • There is a clear and fair process for selling a manufactured home in a residential park. (Somewhat agree or Strongly agree) • Home owners are protected from unfair business practices. (Somewhat agree or Strongly agree) • There is a clear and fair process for varying site rent. (Somewhat agree or Strongly agree)
Increase in affordability with regard to pension income	In addition to the above survey questions, an improvement in home owner affordability was assessed by comparing the share of pension income used to pay for rent between the reform comparison group and the market, over a 10-year timeframe. All cohorts including the market have the same starting rent value which increases each year by the 5-year CAGR calculated in the 'reduced rent increases' section. Annual growth in pension income was calculated by using maximum basic rates of pension data (Department of Social Services, 2022) to calculate a 5-year CAGR using values from Sept 2017 and Sept 2022. Both the Standard and Partnered rates grew at the same level (2.85%).

Impact	Method
	The starting pension income value was calculated from the survey results, by isolating only home owners on a full age pension income (Q94) and using their annual household income (Q93). Midpoints were used for income ranges, except for “More than $100,000” for which $120,000 was used. Average annual pension income was then converted into a weekly value. Weekly rent = (Previous year weekly rent) x (1+CAGR) Weekly pension income = (Previous year weekly pension income) x (1+CAGR) Share of pension income used to pay for rent = Weekly rent / Weekly pension income
Increase in expenses	An increase in expenses associated with complying with the option has been calculated where possible, otherwise qualitatively discussed. This includes the time spent or financial costs required to follow the new regulation. For option 9, the following assumptions were made to estimate the cost to park owners to prepare one financial assessment per year: Hourly cost rate = $550 Hours per year = 7.5 Annual increase in expense = 1.16% (based on 5-year CAGR of CPI subgroup: financial services) The following assumptions were made to estimate the cost to park owners to create a park comparison document and update it each year: Hourly cost rate = $46 (average Queensland full-time earnings in the private sector, ABS) Hours during 2023 = 15 (2 days) Hours during each subsequent year = 3.75 (half day) Annual increase in expense = 2.64% (based on CPI) The following assumptions were made to estimate the cost to park owners to prepare and update a maintenance and capital replacement plan: Cost to prepare plan during 2023 = $10,000 (lower bound of fee range of $10,000 to $20,000, based on an independent quote) Cost to annually update plan = $5,000 (half of the fee to prepare the plan, based on an independent quote)

Impact	Method
Increase in commission paid to park owners for sale of home	The additional commission paid by home owners to park owners was calculated by taking the difference between the market commission and the maximum commission earned in the base case: Base case commission (for homes priced below $18,000) = Price x 0.05 Base case commission (for homes priced over $18,000) = $900 + (Price – 18,000) x 0.025 Market rate (real estate agent commission rates in Queensland) = 2.7% (OpenAgent, 2022) Market commission = Price x 0.027 Home prices were estimated based on average resale prices for different regions and the entire State.
Avoided cost of market valuation	Impact estimated based on the assumed number of future parks (207.5 in year 2 and 255 in year 10) x 76% of parks including market rent review clauses x assumption that a market review occurs 3 times every 10 years x market valuation cost of $7,500 per valuation. The full avoided cost of valuations was estimated in years 1-2. For years 3-10, it is assumed that 50% of the valuation cost would apply in the new mechanism (which is assumed to be more efficient).
Assessing the cumulative impact of reform options	To assess the net community benefit of reform options, the estimated costs and benefits of each recommended option were totaled. However, for some reform options, such as capping site rent increases and prohibiting market rent reviews, there is overlap in effects which prevents them from being added cumulatively, as the outcome is likely to be greater than any option individually but less than the combined total. Where this occurs, a mid-point between the maximum total benefit of all options combined, and the estimated cost/benefit of the largest individual benefit was used to make an estimate.

Table 24. Reform comparison groups used for impact analysis

Option	Reform Comparison Group	Filters applied to survey data	Number of responses	Number, last 5 years, who provided information of start and current site rents
Option 2: Residential park comparison document	N/A	N/A	N/A	N/A

Option	Reform Comparison Group	Filters applied to survey data	Number of responses	Number, last 5 years, who provided information of start and current site rents
Option 3: Simplify the sales and assignment process	Assignment New site agreement	Q42=Yes – signed assignment agreement Q42=No – signed new site agreement	183 509	69 for rent increase, 73 for starting value 184 for rent increase, 206 for starting value
Option 4: Limit site rent increases to a prescribed basis	Respondents with rent increases based on CPI only.	Q14=Yes, Q15=No, Q17 remove "annually with periodic market rent reviews", Q20=No	108	37
Option 5: Improve the market rent review process	Respondents with market rent reviews and who are happy with how their last market review was conducted.	Q20=Yes, Q24=Yes	253	113
Option 6: Prohibit market rent reviews	Comparison group 1: respondents with no market rent review. Comparison group 2: respondents with rent increases based on CPI only.	Q20=No, Q17 remove "annually with periodic market rent reviews" Q14=Yes, Q15=No, Q17 remove "annually with periodic market rent reviews", Q20=No	315 141	99 37
Option 7: Limit site rent to the higher of CPI or a fixed percentage (for example, 3.5%)	High rent cohort: average annual rent increase > 3.5% Reform: average annual rent increase <= 3.5%	Market 5-year CAGR > 3.5% Market 5-year CAGR <= 3.5%	296 516	296 516
Option 8: Limit site rent increases to CPI	Respondents with rent increases based on CPI only.	Q14=Yes, Q15=No, Q17 remove "annually with periodic market rent reviews", Q20=No	108	37
Option 9: Expense-based	Respondents with rent increases	Q14=Yes, Q17 remove "annually	242	72

Option	Reform Comparison Group	Filters applied to survey data	Number of responses	Number, last 5 years, who provided information of start and current site rents
calculations for increases above CPI	based on CPI or CPI plus another factor.	with periodic market rent reviews", Q20 = No		
Option 10: Maintenance and capital replacement plans	N/A	N/A	N/A	N/A
Option 11: Establish a limited buyback and site rent reduction scheme	N/A	N/A	N/A	N/A

Appendix B: Comparison of the *Retirement Villages Act 1999*, the Act, and the Act under the recommended options

Table 25. Comparison of *Retirement Villages Act 1999*, and the Act under the recommended options

Operational model and legislation

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
Main objects of legislation	• Promote consumer protection and fair-trading practices in operating retirement villages and in supplying services to residents by: i. declaring particular rights and obligations of residents and scheme operators	• Protect home owners from unfair business practices • Enable home owners and prospective home owners to make informed choices by being fully aware of	• Protect home owners from unfair business practices • Maintaining public confidence in residential parks by ensuring i. fair variation of site rent ii. fair security of tenure of home owners

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
	ii. facilitating the disclosure of information to prospective residents of a retirement village to ensure the rights and obligations of the residents and scheme operator may be easily understood • To encourage the continued growth and viability of the retirement village industry in the State	their rights and responsibilities • Encouraging the continued growth and viability of the residential park industry in the State	• Enable home owners and prospective home owners to make informed choices by being fully aware of their rights and responsibilities • Encouraging the continued growth and viability of the residential park industry in the State
How profit is generated	• Initial sale of right to reside • Exit fee deducted from resale price of right to reside • Capital gain (per contract) on resale price of right to reside	• Initial sale of home • Site rent • Sales commission on resale of home [73]	• Initial sale of home • Site rent • Sales commission on resale of home[74]
Consumer demographics	Exclusively older people	Predominantly (but not exclusively) older people	Predominantly (but not exclusively) older people
Tenure	Leasehold, licence, freehold	Land rental	Land rental

Administrative safeguards

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
Registration required to operate	Yes – must meet specified requirements Offence to operate unregistered village	No Must notify chief executive within 28 days of opening park	Yes Offence to operate unregistered park

[73] Only where park owner is appointed as selling authority.
[74] As above.

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
Limits on operators with relevant criminal convictions	Yes	No	Yes
Trust accounts	Yes – for capital replacement and maintenance reserve funds	No	Not proposed that money from site rent be deposited in a trust account for maintenance and capital replacement
Reporting to regulator / department	Annual audited financial statements including for funds for capital replacement, maintenance and general services; and quantity surveyor reports.	No	Limited annual reporting on the basis for increasing site rent, and the range of site rent increases during the year

Entering a village/park

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
21-day precontractual disclosure period	Yes	Yes	Yes
Cooling-off period	Yes	Yes	Yes
Publicly available comparison document	Yes	No	Yes
Entry price and tenure	Yes Residents pay ingoing contribution (largely equivalent to a unit purchase price) to operator to acquire a right to reside in the village. May be based on lease or license	Yes Consumers purchase the home from a seller who may be the park owner or an existing home owner, and pays ongoing site rent	Consumers purchase the home from a seller, who may be the park owner or an existing home owner and pays ongoing site rent Land rental with restrictions on eviction in Act

	tenure, or paid to former resident if freehold tenure	Land rental with restrictions on eviction in Act	

Transparency of operations and resident involvement

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
Transparency around maintenance and capital replacement obligations	Yes – operator must obtain quantity surveyors report, adopt annual budgets for maintenance and capital replacement, maintain a maintenance reserve fund and capital replacement fund, and provide annual financial statements	No	Yes – park owner must maintain a maintenance and capital replacement plan designed in consultation with home owners
Transparency around the cost of providing services and facilities	Yes – operator must adopt an annual general services charge budget and provide annual financial statement	No	No
Resident access to financial and operational documents	Yes - residents can access quantity surveyor reports, budgets and financial statements for funds	No	Yes – home owners will see maintenance and capital plans, budget and annual statements
Transparency and consultation around significant changes to village/park operation	Yes – operator must prepare closure, transition or redevelopment plans which are approved by residents or the chief executive for relevant changes	No	No
Residents / home owners can form a committee	Yes	Yes	Yes

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
Residents / home owners can set park rules / by-laws	Yes - residents may make, change or revoke by-laws by special resolution	No[75]	No[76]

Dispute resolution processes

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
3-stage dispute resolution process	Yes	Yes	Yes
Primary body for dispute resolution	QCAT	QCAT	QCAT

Behavioural standards

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
Behavioural standards for residents/ home owners and park owners / operators	Yes	Yes	Yes

Fees and price sustainability

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
Ongoing fees payable by residents/home owners	General services charge Maintenance reserve fund contributions	Site rent	Site rent

[75] However, when a park owner proposes a change to park rules, they must notify home owners. If a minimum number of home owners object, the park owner must establish a liaison committee consisting of the park owner, a representative of the objectors and another agreed person. Committee may make decision relating to proposed change of park rules.
[76] As above

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
Limits on ongoing fee increases	Yes - general services charge set by budget and cannot increase by more than CPI unless agreed by residents, or is an allowable increase under the Act (e.g., attributable to rates, taxes, salaries, insurance) Maintenance reserve fund contribution must be in accordance with quantity surveyors report	No – site rent increases in accordance with the home owners site agreement	Yes – site rent increases limited to the higher of 3.5% or CPI
Market based increases in fees	No	Yes	No
Ongoing fees include profit component for operator	No	Yes	Yes
Vacant units can be rented out	Only where permitted by residence contract or no residence contract	Only where permitted by site agreement	Only where permitted by site agreement

Security of tenure and compensation frameworks

Factors being compared	Retirement villages	Residential parks	Residential parks under the proposed package of options
Eviction due to breach of contract	Right to reside may be terminated by operator	May be terminated by QCAT on application by the park owner	May be terminated by QCAT on application by the park owner
Consequences of termination	Resident must give vacant possession of unit Unit is resold by operator and resident receives exit entitlement	Home owner must remove their home from the site	Home owner must vacate the park but may sell their home on-site. Where park site agreement is terminated

			by QCAT as park land has been approved for use for another purpose, compensation for market value of home.

Exiting a village / park

Factors being compared	Retirement villages	Residential parks	Residential parks under the recommended options
Resident/home owner receives payment on sale of unit / home	Yes - resident receives exit entitlement when unit is sold or earlier date if in contract Mandatory payment /buyback after 18 months for unsold units unless QCAT orders time extension	Yes Home owner receives sale price of home	Yes Home owner receives sale price of home May opt-in, with mandatory buyback after a total of 18 months (from the date of the park owner appointed to sell the home) where eligible
Capital gain or loss on resale	Depends on terms of residence contract	Yes – home owner	Yes – home owner
Limit on exit fee	No	No Unauthorised selling fees prohibited under the Act, but separate exit fees can be charged where clearly disclosed.	No Unauthorised selling fees prohibited under the Act Unauthorised selling fees prohibited under the Act, but separate exit fees can be charged where clearly disclosed
Limit on sales commission	Yes – commission prohibited	Yes Commission limited to prescribed percentage of sale price	Yes Commission limited to prescribed percentage of sale price
Requirements around re-instatement / refurbishment	Yes Resident reinstates unit except for fair wear and tear Operator renovates unit with costs apportioned to the share of capital gain[77]	No	No Where a home owner opts in to the buyback framework the condition of the home would be factored into valuation

[77] Different rules apply for residence contracts prior to 1 February 2019.

Factors being compared	Retirement villages	Residential parks	Residential parks under the recommended options
Resident/home owner fees reduced where unit / home unsold	Yes - resident pays fees for 90 days After 90 days fees are paid in proportion to share of gross ingoing contribution on sale of right to reside	No	Yes, where home owner opts into buyback framework and home is unsold for 6 months site rent is reduced by 25% until the home is sold or bought back.
Residents/home owners may sell their home through a real estate agent	Only after home has been on the market for at least 6 months	Yes	Yes - however park owner must be given selling authority under the proposed buyback framework
Resident/home owner must give vacant possession of unit when selling	Yes - except for freehold title units	No	No - however, home owner will not be eligible to opt in to buyback framework if living in the home

Appendix C: Consistency with other jurisdictions

Table 26. Preferred reform package jurisdictional comparison

Jurisdiction	Regulation of site rents	Regulation of sales	Comparison with preferred reform package
New South Wales *Residential (Land Lease) Communities Act 2013*	The Act allows site rent increases on a fixed basis (such as CPI or a percentage) or by the provision of a notice. Increases by notice cannot occur more than once per year. Act does not contemplate (or prohibit) market reviews of site rent. NSW regulators anecdotally report that market rent reviews are not commonly used. Review in 2021 recommended simplification of fixed methods to a single variable, and information requirements for how notice increases are calculated.	Park owners cannot interfere with the sale of a home and cannot unreasonably decline to enter into a new site agreement with a buyer. Act does not contemplate assignment of site agreements. Review in 2021 recommended transfer of site fees from old agreements to new agreements, and provision of a sale information sheet to buyers. No buyback requirements.	Aspects of preferred reform package, including cap on rent increases and buyback requirements go beyond existing protections, and those recommended by the 2021 review of land lease communities in NSW. Prohibiting market reviews of site rent would align Queensland with NSW in the sense that market reviews are not common practice in NSW. However, NSW is broadly less restrictive on how site rents may increase. Legislation would similarly require terms be transferred from old agreements to new agreements as per 2021 recommendation, but this would not include site rent amount.
South Australia *Residential Parks Act 2007*	Residential parks are shorter term lease-based arrangements and include caravans and trailers. Site rent may increase in accordance with site agreement. A park owner may increase site rent under a residential park agreement by giving written notice to the resident specifying the	Site agreements can be assigned in writing or by oral agreement. Assignment may require park owner consent in the site agreement, but park owners cannot unreasonably	Regulatory schemes are different between the two jurisdictions and difficult to compare. Broadly speaking, restrictions on site rent increases, and buyback plans would significantly exceed requirements imposed on park owners in this jurisdiction.

Jurisdiction	Regulation of site rents	Regulation of sales	Comparison with preferred reform package
	date from which the increase takes effect. No regulatory limits on how increases must be calculated. A resident may apply to the tribunal within 30 days if they believe their rent increase is excessive. The tribunal may consider rent payable in the park, and parks in similar locations, the capital value of the rented property, outgoings for which the park owner is liable, cost of services, state of repair and condition of the property, amenity and standards of common areas, etc.	refuse to consent.	
Victoria *Residential Tenancies Act 1997*	Site rent may increase in accordance with site agreement. Rent may increase by a fixed amount in accordance with a specified method of calculating the rent increase or by a ***non-fixed amount***. Cannot increase rent more than once per year. A site rent increase for a non-fixed amount must be preceded by 60 days' notice.	Tenants can be assigned a site agreement with site owner's written consent, which cannot be unreasonably withheld. No buyback requirements.	Regulatory schemes are different between the two jurisdictions and difficult to compare. Broadly speaking, restrictions on site rent increases, and buyback plans would significantly exceed requirements imposed on park owners in this jurisdiction.

Jurisdiction	Regulation of site rents	Regulation of sales	Comparison with preferred reform package
	A site tenant may apply to the Director (of consumer affairs) to investigate where they consider that the proposed rent is excessive. The Director must carry out an investigation, and consider the rent payable in the park, rent payable in similar parks, the condition of the park, and a range of other factors.		
Western Australia	Rent increased according to site agreements. Market rent review prohibited Increases limited to once per year for land rentals and once per 6 months for land / home rentals. Includes provision for rent increases to cover operational costs, rates, taxes, utilities and unforeseen repair costs.	Tenants may sell their manufactured home and assign their site agreement in accordance with precontractual disclosure requirements. Park owners subject to strict requirements for money handled during sales process. No buyback requirements.	Would align Queensland with WA with regard to prohibiting market rent reviews. Regulation would exceed WA regulation with regard to cap on site rent increases. Would diverge sale practices which are currently similar between WA and Queensland. Would introduce buyback requirements which are not applicable in WA.

Appendix D: Table of key terminology

Table 27: key terminology

Key term	Explanation
2013 home owner survey	2013 survey of manufactured home owners and former manufactured home owners
2022 home owner survey	2022 survey of manufactured home owners and former manufactured home owners
Act	*Manufactured Homes (Residential Parks) Act 2003*
CAGR	Compound Annual Growth Rate
Consultation Regulatory Impact Statement (or C-RIS) and RIS.	A RIS provides government decision makers with useful information on which to base policy decisions and informs stakeholders of the reasons why a particular option is preferred. A C-RIS allows stakeholders to comment and provide evidence about policy options.
CPI	Consumer Price Index (see relevant text for details about CPI issues in residential parks). The Australian Bureau of Statistics describes CPI as 'a measure of changes, over time, in retail prices of a constant basket of goods and services representative of consumption expenditure by resident households in Australian metropolitan areas'[78].
C-RIS	Consultation Regulatory Impact Statement
DIAS	Decision Impact Analysis Statement. After consultation takes place on a C-RIS (or a Consultation Impact Analysis Statement), a DIAS strengthens the analysis in the C-RIS to reflect evidence collected to meet Regulatory Impact Analysis requirements, and outlines feedback from stakeholders and responses to issues raised.
Department	Department of Communities, Housing and Digital Economy and since 18 December 2023, the Department of Housing, Local Government, Planning and Public Works – the department which administers the Act
Home owner	A person who owns a manufactured home that is positioned on a site in a residential park under a site agreement
Home owners committee	A group of home owners established under the Act to liaise with the park owner about the day-to-day running of the park
Issues paper	Review of site rent increases and sale of homes in residential parks - Issues paper for stakeholder consultation - June 2022
General increase in site rent	A site rent increase in accordance with the terms of the site agreement

[78] Consumer Price Index (abs.gov.au)

Key term	Explanation
Manufactured Homes (Residential Parks) Act 2003	The Act which seeks to regulate, and promote fair trading practices in, the operation of residential parks.
Regulation	Manufactured Homes (Residential Parks) Regulation 2017 (the Regulation)
Manufactured home	A structure other than a caravan or tent that has the character of a dwelling house and is designed to be moved from one position to another and is not permanently attached to land
Market rent review	A review of site rent the outcome of which is decided by comparing the site rent with one or both of the following (a) the site rent payable in one or more residential parks or (b) the rent payable for other residential accommodation
Mixed-use residential park	A residential park that contains both manufactured homes regulated by the Act and other dwellings not regulated by the Act, such as caravans and holiday cabins
NPV	Net present value
Park owner	A person who, or corporate entity which, owns a residential park
Purpose-built residential park	A residential park which has been designed with the intent of creating a community of manufactured home owners. These parks contain only manufactured homes
Residential parks	"Residential parks' or 'parks' is used throughout this document to describe communities containing manufactured homes. Residential parks are also called 'land lease communities', 'lifestyle villages/parks' or 'over 50s communities'.
Site agreement	Agreement between a park owner and a home owner that provides for rental by the home owner of land in a residential park on which their manufactured home is positioned and other matters required or permitted by the Act to be in the agreement.
Site rent	Rent paid to the park owner by the home owner under the site agreement
Special increase in site rent	A site rent increase which occurs outside the terms of the site agreement, using the reasons and processes provided for in s.71 of the Act

Queensland Government