



Residential Land Lease Alliance (RLLA)

Submission to the Affordable Housing Working Group:
Innovative Financing Models Issues Paper

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Should the Council on Federal Financial Relations or other agencies wish to discuss this submission further, the RLLA is willing to develop more detailed positions. The RLLA is also available to contribute to any committees or inquiries investigating housing affordability and housing options in Australia.

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Introduction

Much of the public debate around affordable housing has, in recent years, focussed on the need for affordable options for younger home buyers. Many of the policy options put forward have therefore looked to directly address the needs of younger home buyers and lower income families. The 'first home buyer' grants available in many states and territories exemplify this approach.

The Residential Land Lease Alliance contests this is unnecessarily restrictive thinking. Addressing the needs of older Australians is an integral piece in the affordable housing puzzle.

In the 20 years to 2015, the proportion of the population aged over 65 years increased from 11.9% to 15.0%. This group will increase more rapidly over the next decade as more Baby Boomers turn 65.¹ By 2055, the proportion of older Australians is expected to double.²

In line with this shift, social housing tenant demographics have also changed over time. Today a large proportion of social housing tenants are older people. While approximately 3.6% of all Australian households rent in public housing³, 6.1% of older people are social housing tenants.⁴

The Affordable Housing Working Group is investigating options to increase the supply of affordable housing for those on low incomes through the introduction of innovative financing models. Land lease communities also are specifically tailored to the needs of older people and have an important role to play in the provision of affordable housing.

Land lease communities target the 50% of Australians who have \$450,000 or less in total assets and who are looking to downsize but cannot find an affordable option. Around 95% of land lease community residents are Age Pension and Commonwealth Rental Assistance (CRA) recipients.⁵

Land lease communities are an innovative and sustainable way to finance affordable housing. The model is commercially viable for the operators of these communities and is also a very affordable option for homeowners. Nett lease payments, after Rental Assistance, generally represent 15% to 20% of the fortnightly Age Pension.⁶

A number of land lease community operators are listed on the ASX and they report that their share registry is receiving strong support from major industry and superannuation funds looking to invest in affordable housing, and products and services that for the ageing population. This is probably the first time we have seen the entrance of this important source of funding into affordable housing.

Land lease communities provide significant stock of affordable housing for older people. They also assist in freeing up empty nester housing stock for first and second home buyers. In light of this, the Australian Government can support the continued growth and provision of land lease communities in two ways:

1. Through continued provision of CRA. (While we understand this is outside the scope of the Issues Paper, it is nonetheless an important consideration); and
2. Through the introduction of a 'last home buyer' scheme to encourage older people or Baby

¹ ABS 2015, *Australian Demographic Statistics, Jun 2015*, viewed 18 January 2016, www.abs.gov.au/ausstats/abs@.nsf/mf/3101.0

² Treasury 2015, *2015 Intergenerational Report: Australia in 2055*, Commonwealth of Australia, p viii.

³ ABS, 6523.0 Household Income and Wealth, Australia, 2013-14 – Table 12.3, viewed 29 February 2016, www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6523.02013-14?OpenDocument

⁴ Productivity Commission 2015, *Housing Decisions of Older Australians*, Commonwealth of Australia, p. 86

⁵ Residential Land Lease Authority member survey data.

⁶ Ibid.

Boomers to downsize. Such a scheme would have a significant effect on aiding housing affordability by freeing-up 3-4 bedroom housing stock in high amenity suburbs.

The ageing effect on housing

In the coming years, Australia will face a range of housing challenges associated with our ageing population. Changing demographics will increase the pressure on housing supply, while older people will also need access to more affordable housing options.

In the 20 years to 2015, the proportion of the population aged over 65 years increased from 11.9% to 15.0%. This group will increase more rapidly over the next decade as more Baby Boomers turn 65.⁷ By 2055, the proportion of older Australians is expected to double.⁸

The ageing population is linked to two significant housing trends:

1. Many Baby Boomers are remaining active and independent, preferring detached homes. With few affordable options available to encourage downsizing, Baby Boomers are choosing to remain in their 3-4 bedroom suburban homes. This impacts housing supply; and
2. Pressure is placed on a finite number of detached homes in high amenity suburbs, which are preferred by families and younger people. Productivity and infrastructure are impacted as families migrate to outer suburbs, because inner and middle suburbs have become unaffordable. This, in turn, increases demand in outer suburbs, making them less affordable for people on low and fixed incomes. This increases the demand for affordable housing.

If current trends continue, the Australian Population Research Institute has warned of an affordability crisis for family housing stock, especially in Sydney and Melbourne.⁹ At the same time, around 187,000 households remain on waiting lists for public and community housing across Australia.¹⁰ By encouraging people to downsize this will free up the empty nester stock, occupied by Baby Boomers, for first and or second homebuyers who are looking to move into higher amenity suburbs.



⁷ ABS 2010, *Australian Demographic Statistics, Jun 2010*, viewed 10 January 2010, www.abs.gov.au/ausstats/abs@.nsf/main/3101.0

⁸ Treasury 2015, *2015 Intergenerational Report: Australia in 2055*, Commonwealth of Australia, p viii.

⁹ Birrell, B. and McCloskey, D. 2015, *The housing affordability crisis in Sydney and Melbourne - Report One: The demographic foundations*, Australian Population Research Institute, p 2.

¹⁰ Productivity Commission 2016, *Report on Government Services 2016 Chapter 17*.

Land lease Communities – An innovative financial model

About 100,000 Australians currently live in residential land lease communities¹¹, which are also known as residential parks, mobile home parks, manufactured home estates, lifestyle villages or caravan parks. There are approximately 900 land lease communities across Australia.¹²

Homes in residential land communities are perhaps the most affordable form of home ownership in Australia and fill an ever increasing gap in Australia's housing market.

Land lease communities play an integral role in allowing older people to downsize.

Land lease communities encourage the transition to higher density housing, which frees up supply of larger detached homes and the land on which they are located in high amenity suburbs. At the same time, older people retain ownership of a home, while continuing to live in the same suburb (or nearby), close to friends and support networks.

How land lease communities operate

Residential land lease communities are a form of housing where the homeowners own their home and rent the land from the community operator. Rent typically covers the costs of maintaining common facilities, as well as all land-based costs for the homeowner.

Homes are sold through the community operator or through a local real estate agent.

Most weekly rentals (lease payments) are in the order of \$120 to \$180 per week¹³. Eligible pensioners are also able to receive a rebate in the form of Commonwealth Rental Assistance (CRA).

Around 95% of residents in land lease communities are recipients of the Age Pension and receive Commonwealth Rental Assistance (CRA).¹⁴ Nett lease payments, after Rental Assistance, therefore generally represent 15% to 20% of the fortnightly Age Pension.¹⁵



¹¹ Residential Land Lease Alliance member survey data.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

The benefits land lease communities provide

The Productivity Commission's *Housing Decisions of Older Australians* report, released in December 2015, found that around 2.1% of older Australians live in residential land lease communities (referred to as 'mobile home communities'), and that these homeowners have an average age of 67 years.¹⁶

Residential land lease communities offer a range of direct benefits to residents, as well as wider community benefits including:

- **Affordability for older Australians** – Typically homes sell for around 50% to 75% of the median house prices in the suburbs in which they built. The rents in these communities are generally 15% to 20% of the pension, which means they are affordable and sustainable.
- **Maintenance of independence** – Residential land lease communities allow older people to remain independent, as they continue to own their own home and live in a detached dwelling.
- **Encouragement of downsizing** – The average Australian household has less than \$450,000 total wealth, including home equity.¹⁷ This highlights the need for affordable downsizing options for the over 50s. Land lease communities allow older people to sell a suburban home (and land), and purchase a smaller home (on leased land) in a community.
- **Maintaining established networks** – Residential land lease communities allow homeowners to live in a desirable suburb – or remain in an area where they have established social and support networks – for around 50% to 75% of the median house price in the area.¹⁸
- **Connectedness** – A key attraction of community living is the sense of connectedness it fosters, especially through shared recreational facilities and group activities that promote social interaction. This contrasts to traditional housing, which older people can find isolating.
- **Driving investment in affordable housing** – The growing demand for residential land lease communities is fuelling interest from institutional investors, often through ASX-listed entities and superannuation funds. This is one of only a few examples where institutions or super funds are investing in affordable housing, which the Minister for Social Services recently stated is an area of focus for the Commonwealth Government.¹⁹

The benefits that result from older people downsizing

There is a generational shift occurring in the aging of Australia. The emergence of the baby boomer who are more financially driven to downsize creates a unique opportunity for government to incentivise this generation to take up this opportunity. The benefits of downsizing to increase affordability include:

- **Freeing-up equity** – Once older people sell their house and downsize to a residential land lease community, this frees-up equity. Average equity freed-up from homeowners downsizing to a land lease community is around \$100,000.²⁰ This helps to address the growing issue where older people have poor living standards, due to being asset rich but cash poor.
- **Freeing-up housing stock** – In Sydney and Melbourne, between 60% and 80% of detached

¹⁶ Productivity Commission 2015, *Housing Decisions of Older Australians*, Commonwealth of Australia, p. 9.

¹⁷ ABS 2013, *Household Wealth and Wealth Distribution, Australia, 2011–12*, viewed 18 January 2016, www.abs.gov.au/ausstats/abs@.nsf/mf/6554.0

¹⁸ op. cit.

¹⁹ Hon Christian Porter MP, Minister for Social Services, speech to the 2015 National Housing Conference, 28 October 2015.

²⁰ Residential Land Lease Alliance member survey data.

homes are currently occupied by people aged over 50.²¹ This housing stock is in high demand by families and first home buyers. Demand is driving up prices and reducing affordability for people along the socio-economic continuum. In many cases, these homes are currently occupied by older singles and couples who are unlikely to move if there are no affordable options or incentives. (Keeping in mind the preference for 'ageing in place', where 73.4% of older Australians live in their own home.²²)

- **Freeing up land for development** – The average suburban block 40 years ago was a significantly larger than what you see being developed today. The average block back then was typically the 'quarter acre block' with a house and a substantial garden and lawn. We are now starting to see these blocks being redeveloped into higher density uses such as dual occupancy, units or apartments. The benefits of incentivising people to downsize is that a greater number of these blocks will be freed up for redevelopment both for first home buyers as well as downsizers.

Opportunities for reform

Residential land lease communities are a significant provider of affordable housing to average older Australians. The RLLA would like to partner with the Government to identify ways of advancing this important housing option, while helping to ease the housing affordability crisis more generally through encouraging people to downsize and free up their existing housing..

The RLLA believes that further work could be done to raise the prominence of this form of affordable housing, while perhaps also encouraging and leveraging the land lease community financial model.

Opportunity 1: Further support of this form of affordable housing

While recognising it is outside the stated scope of the Affordable Housing Working Group Issues Paper, the Federal Government's continued support for this type of community through the provision of CRA is essential to sustain and grow the land lease industry.

Opportunity 2: Facilitating a 'Last Home Buyer's Scheme'

It is evident that some form of incentive or financing option is necessary to change the culture in Australia of 'ageing in place' and remaining in an existing home. At the same time, options need to consider the overwhelming preference older people have for detached homes rather than units.

The RLLA proposes a 'Last Home Buyer's Scheme' be introduced to encourage the Baby Boomer generation to downsize. Such a scheme would have a significant effect on aiding housing affordability by freeing-up 3-4 bedroom housing stock.

Research demonstrating changing generational attitudes indicates that Baby Boomers are more likely to be receptive to this form of incentive than previous generations.

²¹ Birrell, B. and McCloskey, D. 2015, *The housing affordability crisis in Sydney and Melbourne - Report One: The demographic foundations*, Australian Population Research Institute, figures 3 and 4, p 10.

²² op. cit.

A Last Home Buyer's Scheme could be means tested or limited only to pensioners. Other conditions could also apply, for example the Scheme could be restricted to pensioners downsizing to a cheaper home that is valued under a certain amount (say \$750,000 or less).

While land lease communities would not be the sole focus, they could be one focus for the Scheme.

Some of the key benefits of encouraging older Australians to downsize are:

- ✓ Freeing-up 'empty nester' housing stock in high-amenity suburbs, which provides flow-through effects for overall housing supply and affordability;
- ✓ Freeing up land for higher density housing.
- ✓ Allowing Australians in their 50s, 60s and 70s to still own their own home but to step-down to a more manageable option for 'ageing in place'. This will reduce the burden on social housing and aged care facilities in the long term;
- ✓ Stimulating the housing industry; and
- ✓ Increasing the wellness for older Australians through greater uptake of community living.

The scheme could be funded through offsetting future pension payments over a period of time (for example, 3 years) so it is essentially a loan rather than a grant.

About the RLLA

There are approximately 900 land lease communities across Australia, which are home to around 100,000 residents. An estimated 2% of older Australians live in a land lease community. The average age of a land lease community resident is 67 years.

The Residential Land Lease Alliance (RLLA) is a subcommittee of the Caravan Industry Association of Australia. The RLLA was established in 2015 to be the national representative body of those residential land lease community operators who have people living permanently in their communities.