Alliance
Of Manufactured Home Owners INC

Supporting Home Owners Rights with Government

Submission on the Viability of Residential Parks in Queensland

To The

Department of Communities, Housing, and Digital Economy

Submission Overview

This document has been produced in light of the work being done by AMHO and the recent Issues Paper and Survey of manufactured homeowners and is presented in two parts.

In respect of notes made in the Manufactured Home (Residential Parks) Act 2003 (the Act) and subsequent amendments enacted in 2010 and 2017 – 2019, we feel it is time to address the matter of viability of these residential parks from the perspective of both the park owners and the homeowners.

In many areas of comment by CHDE, Ministers of Parliament, and in the actual Act under:

Objects of Act *(3) The following are also important objects of this Act—*

(a) encouraging the continued growth and viability of the residential park industry in the State;

This is a consistent theme whenever there is a move to have the Act amended or changed by those that are in the role of overseeing this housing sector and involved in the content of the particular act.

PART 1

PROOF OF PARK OWNER'S VIABILITY

As advocates of the over 45,000+ homeowners in Queensland in these residential homes, we have researched all areas of the Act implementation and subsequent amendments and our main purpose come under the:

Objects of the Act

(1) The main object of this Act is to regulate, and promote fair trading practices in, the operation of residential parks—

(a) to protect homeowners from unfair business practices;

Therefore, we felt it was timely to examine this underlying matter of viability from both sides of this premise to ensure that this statement is seen in the reality of the future of these residential parks and in their present operation. This submission aims to show that under the current legislation and financial climate there is a need to address the issue of viability and the changes required to the legislation and that, these significant reforms must balance the need for fair outcomes for residents with industry viability for the future but not have the homeowners be the source of huge profits for the park owners and their stakeholders and thus lessen their financial viability.

Residential Parks flexing their muscles with the 50+ market

Published on August 25, 2007

Retirement villages are facing an aggressive competitor with the rapid emergence of residential parks that claim to offer lower entry costs, bigger homes, resort facilities, no DMFs all with possible government rental subsidies of up to $52 per week.

In Australia residential parks claim to account for up to 10% of new homes; Queensland and Northern NSW have caught the same bug and now Victoria and WA are catching on.

They are no age specifics and generally attract people in their 50s, with many still working. There is no real attempt to cater to the needs of ageing residents moving into their 70s and 80s who will have extended needs.

The basis of the industry is that residents buy the house but lease the land it stands on. This means new residents pay only about 60% of a typical house/land package. They have ownership and keep the capital gain when they sell the house. The weekly land rental covers all resort facilities.

A new free standing 3 bedroom home an hour from Sydney can cost $240,000 plus $100 per week rent, less rental assistance of say $50. Net cost per week $50 or $2,600 per year. There are no other costs except utilities and insurance.

A new retirement village home in the same vicinity will cost $400,000 with $75 a week fees ($3,900 per year), no capital gain, and 30% DMF or $120,000. Residential park homes need to be relocatable. In Queensland, they can be built on-site.

Some parks have a resident committee, but they operate under the Manufactured Homes (Residential Parks) Act, with different degrees of resident protection to the Retirement Village Act. There is no escaping that the resident is leasing, and the lease can be terminated.

Park History and Growth

The Australian senior's landscape is changing at a rapid pace driven by a mix of lifestyle, wealth, care needs, and of course the retiring baby boomers.

Increasingly, retirees are looking at alternative accommodation models to the traditional retirement village, and hence the popularity and the corporatisation of the Land Lease Communities ('LLC') sector (formerly Manufactured Housing Estates – MHE) has risen significantly in recent years.

For over 25 years residential parks have been a form of housing predominantly for senior Australians and were initially seen as an affordable option for many. When the original parks were built, these homes were fully relocatable and were usually shipped onto the site. The park had few amenities, maybe a community hall or a pool, and was often part of a caravan park or converted from such a park to be a residential park with manufactured homes.

These older parks now have homes selling in 2022 from $150,000 to $300,000 approx. as they do not have the amenities and facilities of the newer lifestyle parks. Many of the original parks and some still today such as Burpengary Pines are privately and independently owned and though they are older and have fewer facilities many of the homeowners in these parks are paying as much or more than those in the new "Lifestyle Park."

In the past 10 years, more residential parks are being built by large organisations that many, such as Hometown, Gemlife, Living Gems, and Ingenia are overseas funded and are changing to building the newer lifestyle parks. These parks can have homes selling between $500,000 to $1.4M and they have many five-star facilities and amenities and can be likened to living in a resort.

Of course, there are the ones in the middle that have some facilities and amenities and are in the middle price range and either has been upgraded or more new homes built in older parks but again they pay similar rents to those with more facilities and are newer.

The sectors in the lower price range are mainly occupied by those on fixed incomes and can less readily afford the continuing site fee increases and costs of living in these parks. Some want to sell but cannot find any other accommodation that is within their price range or afford to pay rent. So, they are forced to lessen their expenditure in other ways, such as no insurance, health, car, and home, and not using heating and cooling so as to lessen their electricity costs.

Traditionally, the LLC sector has not sufficiently differentiated between each community, and nor has a clear way of doing so been available from the lens of investors or operators. Certainly, in the context of the sector's evolution over the last 10 years, grouping communities together misrepresent the true picture. As a result, assessing and valuing the sector has some particular nuances, which are made even more complex as the sector consolidates and the line between parks/villages and LLCs blurs further.

For example, a modern community may have a large number of sites however might still lack the facilities to be truly classified as a Class A LLC asset.

This industry is thriving and increasing all across Australia. Hometown which is an American Company now operating in Vic, SA, and QLD under Hometown Communities Australia, is buying up independent parks and some that were originally under Gateway. Since 2016 they have taken over 17 in Qld and 54 in Vic and SA.

Ruby Developments, which as Living Gems and Gem Life parks, have 15 in Qld, 3 in NSW, and 1 in Victoria and are continuing to spread and establish more parks in the future all over Australia, they are financed by overseas backers. Now they are also seeking (as mentioned in the attachments), looking for 1-2 Billion dollars for future investment in this housing sector.

Halcyons have 11 parks in Qld and now one in Victoria, they have recently been bought out by Stockland's for over $650 million. (see attachments).

Palm Lake has 16 parks in Qld 7 in NSW and 3 in Vic. Australian Owned but not sure if overseas financed

Serenatas have 7 in Qld and 12 in WA and are overseas financed for continuing growth in this market.

Ingenia has 5 parks in Qld, 13 in NSW, and 2 in Vic and is expanding its portfolio with more new parks.

Halcyon which is now owned by Stockland together has 20 parks in Qld, 19 in Vic, 11 in SA, 1 in ACT, 1 in WA, and 20 in NSW. Stockland known for its retirement villages is selling off its portfolio of these villages to move more into the market of residential parks and manufactured homes.

Just by these examples of which the supporting evidence is provided below, there is no issue of viability now or in the future, if these big corporations are able to manage their business in an efficient and competent manner. If their businesses fail it will not be due to changes in legislation but to their own mismanagement. They should all have business plans in place and be able to cover for any contingencies that may occur which is good business practice. Again, this is not the role of this legislation, or the department of CHDE or RSU to consider or view any changes to the Act that should be about the protection of the homeowners who make this housing sector viable too.

The future viability of the residential parks rests with them being capable and responsible in their business activities and operations. The facts that we will present in this document will reinforce that these park owners are making large profits and that it is on the back of the most vulnerable demographic in Australia.

That they also have in place many areas of protection from not paying land tax and the availability of stapled structures for taxation purposes to ensure they reduce their tax paid under Corporate Trustee entities which do not file a tax return in Australia, holding 70% assets/transfers and another legal entity which the operational business is run through - Capital, Operating Expenses, Profit and Loss taxed at 30% in Australia.

How many other businesses get these sorts of perks and why is there so little to show the real profits that these park owners' companies are making and much of which the government does not get tax gratuity on? Why are they continually being protected legislatively when it is totally apparent they are not being transparent to this government or the homeowners with their financial details?

They would not continue to build more, buy more, and have overseas investors supporting it along with companies from overseas coming into this housing sector and industry if it were not seen as not only viable but fully viable into the future. The growth in this housing sector would be more than any other, as it is seen as easy money and a cash cow for the future of these companies and their investors.

What other companies make these huge profits? They do so from the people who live in these residential parks, and these companies have very little overheads once they are established as they pass on most of the costs to the homeowners, and they do not have to maintain the homes.

Does the government department who is concerned about the viability of this industry not see the homeowners are the goose who lays the golden eggs for these park owners to make these huge profits?

And yet they keep making the statements such as:
"Understanding the different costs associated with running a residential park, and how these changes over time, is important when reviewing the legal framework for site rent to ensure residential parks remain viable."

Does the government department that oversees this housing sector really know what the financial records and profits are of these companies?

What about the viability of the geese and the golden eggs they keep having to produce to sustain this housing sector's viability? Do they get no protection against exploitation and unfair business practices of these park owners?.

There needs to be a balance of profits versus future viability on both sides. Yet this Government department seems to only see one side, the park owners. If the homeowners can no longer afford to pay the costs of living in a residential park and then they cannot sell as no one else wants to take on the continually rising costs of this housing sector ownership, then you will have severe issues for future viability.

Then the flow on from this will be older people who are homeless or cannot afford to move elsewhere, cannot sell their homes as no one else wants them, or who suffer health-wise and mentally from all the stress associated with not being able to live on their income or savings.

Record of Proceedings, 16 September 2021

Housing and Homelessness

Hon. LM ENOCH *(Algester—ALP) (Minister for Communities and Housing, Minister for Digital Economy, and Minister for the Arts) (10.41 am): In response to the unprecedented pressure on the housing market, the Palaszczuk government is implementing tailored responses to help more vulnerable Queenslanders into homes sooner. Through the Queensland Housing and Homelessness Action Plan 2021-2025, our government is investing $2.9 billion, including the establishment of a new $1 billion Housing Investment Fund, to boost housing supply and increase housing and homelessness supports across Queensland.*

The action plan is contributing to Queensland's plan for economic recovery by creating jobs and supporting vulnerable Queenslanders. Important actions in the plan are aimed squarely at strengthening support for older women in particular. Older women are the fastest growing group to experience homelessness across Australia. Over the course of their lives, many older women have taken time out of the workforce or have worked part-time while raising a family or attending to other caring responsibilities. As a result, they can have insufficient superannuation and savings of their own.

Many of these may have bought into these residential parks, but later become part of this vulnerable group due to rising costs in these parks. This then may one day put more strain on that sector they are discussing above, and those services they are implementing if there is not more done to protect the rights and financial future of these homeowners in the residential parks. Especially in the older parks where they pay as much site fees or more than the newer lifestyle resorts that have five-star amenities and facilities. How can this be sustained?

This Government has promoted and encouraged older Australians to downsize and thus freeing up housing stock for the next generations. Many turn to these residential parks when they do so and therefore it is incumbent on the Government to ensure that their future in this housing sector is secure and protected by the Act.

The park owners from the day they sell the home have a continuous income from that home and they do not even have to maintain it or pay anything not even if the fences need replacing. Along with the profits they already made on the sale of the home, usually 50% or more, if they resell it they get more income from it, and then they have most of their costs of running and maintaining the park paid by the homeowners. What is actually paid by the park owners?

What other industry keeps getting income from something they do not have to maintain being the homes? There is too little accountability by these park owners in being transparent in their financial status and operating costs.

They do not have to produce their financial records to the homeowners and yet they can increase the site fees under three different components in the present Act. Why do they need three areas?

It is more expensive to live in a residential park than it is to live in a comparable unit in many suburbs in Queensland and you own the land with private homes. So where do all these costs come in, other than maintenance, should there not be also transparency to ensure that these homeowners are not being financially rorted. With so much overseas funding for these parks, it is concerning that they can hide their true financial situation.

Why should these homeowners have to pay the rates for the park owners, it is their land, and it is improved land, and the value will keep rising, in some site agreements even the fences have to be paid for by the homeowners if they require replacement in some parks. The costs will rise as these parks get older and why are not some of these huge profits having to be put back into the parks as a contingency fund and shown as to what level they contribute to the upkeep of the park.

Again, we keep asking, just what are their costs for maintaining the property, which is directly aligned with the parks, not their admin costs, or office costs, admin staff wages, which is not what homeowners should pay for. Yet in a lot of cases the homeowners pay for the manager's wages and their costs if they live on site, a car for use in the park work, and more, and yet they are an employee of the park owner, not the homeowners. These costings should be readily available to homeowners when a site fee increase is actioned.

Below are examples of this industry and proof it is NOT struggling nor is viability and issue in most instances -

Growth Plans
Serenitas is seeking to grow its locations through acquisition, joint ventures, and capital partnering with other industry participants. Backed by Tasman Capital and GIC a long-term institutional investor in Australia, Serenitas is one of the leading operators of land lease communities with over 3600 home and development sites.

More than 3.8 million Australians, or 15% of the total population, are currently over the age of 65. By 2057, that will rise to 8.8 million, or 22% of the population, and by 097 it will reach 12.8 million people or one in four Australians.

Australia has 5.2 million Baby Boomers or 24% of the country's population which make up a quarter of the country's population – they are likely to get what they want. Their living tastes are likely to have profound impacts on the $30 billion a year aged care industry after two years of revelations before the Royal Commission into Aged Care Safety & Quality.

Residential parks are often chosen over a retirement village due to there being no exit fee payable, but this creates another level of issues in that some who enter a residential park are not getting the care they need, and the facilities and services are not there for them.

In many cases, people then have to move on to a nursing home and the selling of their manufactured home may be required to pay the costs of their continuing care. If the home does not sell or cover its costs then there will be more of a strain on the health system and the aged care departments and more disputes in these parks.

But these park owners have no duty of care, it is an independent living, and now most of the Hometown parks have taken their managers offsite to cut costs, even though people have bought into many of these parks because there is an onsite manager.

The park owners sell the homes and put other people in place to oversee it, they take little responsibility for the residents and do not have to provide anything that would be required in a retirement village. So many have facilities they pay for but cannot use or are misled when they buy in, and then other residents are the ones having to take on caring for those in the park that becomes disabled or cannot manage.

The age demographic of these parks should be of some concern to the park owners in what they provide for the residents and there should be certain standards applied to the setting out of these facilities and maintenance of these parks. As the homeowners are the older demographic, who ensure they provide enough items in the facilities to cover the issue of more people becoming less mobile and needing rails, different items to enable them to still be a part of the community they are paying to be a part of.

Palm Lakes have ten parks in Qld that now have facilities that allow homeowners to transition from their manufactured homes into the care facility near their park. This is progressive thinking and allows the person to stay close to their partner and friends in the same community. This then relieves the area of aged care and also provides the government with another way to deal with the aging population by transitioning from home to care. https://palmlakecare.com.au/

In many cases, as they are older persons, they are taken advantage of and easily intimidated, or often too scared to speak up making them vulnerable to unfair business practices and financial and mental abuse. So, the viability of this housing sector will only continue if these park owners adapt to the needs of the residents and are willing to address the need for more engagement and consideration of their nest egg.

There will not be any shortage in the future of this age demographic that will want to live in this housing sector as long as it stays viable for them as well and being affordable when they buy in is not the same five years later when the site fees and cost burdens on many will be too high. So, knowing what they will be paying in the future is imperative for this housing sector to remain viable and will still allow large profits to the park owners.

Australia's aging population means the country will need to make permanent changes to the way the housing sector for older Australians is managed and governed to ensure that whatever housing they choose is secure and has the longevity of tenure for them.

Exemptions from land tax

Depending on the ownership and use of the land, you may be eligible for a land tax exemption.

When an exemption is applied to a parcel of land, the taxable value of that parcel is excluded from the total taxable value of all your land. So, an exemption will reduce how much you have to pay.

For land with joint owners, each owner wanting to claim an exemption must complete a separate form.

There is no exemption specifically for seniors or pensioners.

If you successfully claim an exemption, it will generally continue to apply to the land until you tell us—in writing—that you are no longer eligible, or we identify that the exemption no longer applies. Your annual assessment notice will show the exemption code beside the specific parcel of land:

- *R Home*
- *T Transitional home*
- *P Primary production*

- *M Moveable dwelling park*
- *A Aged care facilities*
- *S Supported accommodation*
- *D Subdivider discount*
- *C COVID-19 relief*
- *E Other exemption.*

A moveable dwelling park is a place where the caravan or manufactured home sites are leased or rented.

You can claim an exemption if both the following apply:

- *the land is used mainly as a moveable dwelling park*
- *more than 50% of sites in the park are occupied, or only available for occupation, for residential purposes for more than 6 weeks at a time (i.e. the occupier has signed a tenancy agreement).*

Complete a moveable dwelling park exemption claim (Form LT18).

Read the public ruling on the land tax exemption for moveable dwelling parks (LTA054.1) for more information.

Public Ruling LTA054.1.1 Exemption for land used predominantly as moveable dwelling park lta054-1 - Downloadable PDF

A public ruling, when issued, is the published view of the Commissioner of State Revenue (the Commissioner) on the particular topic to which it relates. It therefore replaces and overrides any existing private rulings, memoranda, manuals and advice provided by the Commissioner in respect of the issue(s) it addresses.

Where a change in legislation or case law (the law) affects the content of a public ruling, the change in the law overrides the public ruling—that is, the Commissioner will determine the tax liability or eligibility for a concession, grant or exemption, as the case may be, in accordance with the law.

Updated 30 June 2010
Land taxRuling

What this ruling is about

1. *A liability for land tax for a financial year arises at midnight on 30 June immediately preceding the financial year.*

2. *Section 54 of the Land Tax Act 2010 (the Land Tax Act) provides an exemption from land tax for land used predominantly as a moveable dwelling park[1] if more than 50% of sites in the moveable dwelling park are occupied, or solely available for occupation, for residential purposes for periods of more than six weeks at a time.*

3. *Section 54(3) of the Land Tax Act provides that a 'site' is a site in the moveable dwelling park where a caravan or manufactured home is, or is intended to be, situated.*

4. *This Public Ruling clarifies when a site will be considered to be available for occupation for the purposes of s.54 of the Land Tax Act.*

Ruling and explanation

1. *The application of the exemption in s.54 of the Land Tax Act to land for a particular financial year is determined as at midnight on the 30 June immediately preceding that financial year. That is, the land must be used as required by s.54 at that time.*

2. *The term 'available for occupation' in s.54 of the Land Tax Act will generally be interpreted according to its ordinary meaning.*

3. *For a site to be considered as available for occupation, it is not necessary that a caravan or manufactured home be physically located on the site as at midnight 30 June. This follows from the definition of 'site' in s.54(3) of the Land Tax Act. It will be sufficient if the site is in a condition that allows a caravan or manufactured home to be brought directly onto the site without the need to undertake any further development or modification of the site.*

4. *In addition, a site will be taken to be available for occupation if:*

    a. *it is not occupied as of midnight 30 June due to the usual operation and maintenance of a moveable dwelling park, such as renovations or earthworks to the site resulting in the site being temporarily unavailable for occupation, but will then be available for occupation*
    and

    b. *during the year preceding the relevant year it has been occupied for residential purposes for periods of more than six weeks at a time.*

Example

ABC Pty Ltd owns land which is used solely for the purpose of a moveable dwelling park. The park has 100 sites.

As of midnight 30 June 2010:

- *45 sites are being occupied for residential purposes for periods of more than six weeks*

- *25 sites are unoccupied but are advertised on the dwelling park's website as ready for immediate occupation for periods of more than six weeks*

- *10 sites have just become temporarily unavailable for occupation as they are undergoing renovation. However, these sites were occupied during the 2009–10 year for residential purposes for periods of more than six weeks*

- *20 sites have recently been constructed but, as they have not had electricity connected, are not yet being offered for occupation.*

The 45 occupied sites, the 25 unoccupied sites, and the 10 sites being renovated are considered to be occupied, or solely available for occupation, for residential purposes for periods of more than six weeks at a time. The remaining 20 sites are not regarded as being available for occupation.

As more than 50% of the sites in the moveable dwelling park are occupied, or solely available for occupation, as required, ABC Pty Ltd will be entitled to the land tax exemption in s.54 of the Land Tax Act in respect of the 2010–11 financial year for the land comprising the moveable dwelling park.

Date of effect

1. *This Public Ruling takes effect from the date of issue and applies in respect of land tax liabilities arising on or after 30 June 2010.*

David Smith
Commissioner of State Revenue
Date of issue: 30 June 2010

Questions:

1. We at AMHO would like to know if they do not have to pay land tax then why should the homeowners contribute to the costs of the rates on the land?
2. When all these new homes being built in the new "Lifestyle Parks" are no longer relocatable in a practical and cost-effective way, how can they be put in this category under this ruling as relocatable or moveable dwellings?
3. If these companies are to continue to use this model, to not pay land tax then this should be transparent to the homeowners, and in assessing if, the site fees should be raised to cover any costs due to the land ownership or improvements.

ANALYSIS OF THE MAJOR PARK OWNERS IN QUEENSLAND

GEMLIFE AND LIVING GEMS – RUBY DEVELOPMENTS

GemLife and Living Gems are set to merge, setting up to be a bigger player in land lease communities.

LLC operator GemLife achieves higher prices than the local median and attracts under-65s - Three-bedroom homes at GemLife Gold Coast are selling for $640,000, compared to realestate.com.au's median price for a three-bedroom house in Pimpama at $530,000.

Published on June 21, 2022.
Puljich Family delivers a masterclass in successful retirement living development – now double the size of land lease leaders

Published on May 3, 2022
From out of nowhere the Puljich family has emerged with 43 land lease communities and a pipeline in excess of 11,000 homesites. By comparison, a market leader and listed operator Ingenia have approximately 4,200 homesites. GemLife will be the largest land lease community operator by any metric by December 2022.

Adrian also presented at the LEADERS SUMMIT his plan to develop vertical land lease communities – a first for the sector (pictured below). He says this is a reality and progressing to development now, not a wish list item for the future.

As Matt Roberts from Highbury Partnership told us today, GemLife is a big and extremely well-run business. What is apparent is that the Puljich family understands their value proposition and has created a machine that is leading corporate developers behind.

More than $60 million of homes have sold off-the-plan in the $200 million GemLife Gold Coast, including all 26 traditional homes released in Stage One and more than 70% of the 88 homes released in Stage Two. More than 50% of buyers are aged under 65, with developer Adrian Puljich saying the age of residents across its portfolio of communities along the eastern seaboard is continuing to fall.

This compares starkly to the average age of people moving into retirement villages being 75, according to the 2021 PwC Property Council Retirement Census.

Thakral “evaluating the various options” as GemLife seeks new financial partner

Published on May 10, 2022

Thakral Corp is still “evaluating the various options that it has in maximising the return on its investment” in land lease owner/operator GemLife, which is looking for a new financial investor. The Singapore-based diversified company said “no firm decision has been made on how it would deal with its interest” in Thakral Capital, its subsidiary used to hold the GemLife investment.

For FY2021 ended December 2021, Thakral booked $17.3 million for its share of earnings from Gemlife, up from $6.4 million in FY2020. The Over 50s lifestyle resort owners Gemlife and Living Gems are seeking a reported more than $1 billion investor to cement themselves as the largest land lease operator in Australia.

“I can confirm that both Living Gems and Gemlife are jointly conducting a strategic review of both businesses for the purposes of merging together and bringing on board a sizeable strategic investor who is willing to share in the growth story of what will be Australia’s largest pure-play land lease operator, under the Gemlife moniker,” said CEO Adrian Puljich.

GemLife is a joint venture between Thakral and the Puljich family formed in 2016. Living Gems is the Puljich’s own business set up in 1982. When the merger goes through, Living Gems will be absorbed under the GemLife branding.

Published on May 31, 2022

The combined GemLife entity will be pitched to investors as a portfolio of more than 11 Lendlease investors Aware Super and APG reportedly in running for $2B GemLife Australia’s third largest superannuation fund Aware Super, which holds 49.9% of Lendlease’s Retirement Living brand, and Dutch pension fund APG, which owns 25% of the same portfolio, are reportedly looking to invest in QLD-based land lease operator GemLife, created by the Puljich Family, for a suggested $2 billion.

The high interest is based on the fact that GemLife has a reported 11,000 housing sites across its portfolio and predicts by year end it will be the largest LLC operator in the country.

Published on February 1, 2022

Queensland-based land lease operators GemLife and Living Gems are planning to merge in late 2022, making GemLife the largest land lease operator in Australia.
GemLife CEO and Director Adrian Puljich (pictured) said after the merger goes ahead, GemLife will be set to grow to more than 10,000 land lease homes across 42 locations.

While it's early days, expectations are that GemLife could fetch a multi-billion dollar valuation, based on a series of smaller deals in the sector. GemLife is currently talking to potential investors with valuations up to $2B for the group, in line with its ambition to be the sector's largest operator within the year.

GemLife is expected to be pitched with a portfolio of more than 11,000 land lease homes across 43 locations across Queensland, NSW and Victoria, which makes it about twice as big as the $1.86 billion ASX-listed Lifestyle Communities Ltd.

Sources said the Puljichs were looking at offering a "material stake" to big Australian listed real estate groups and others circling over-50s estate owners, to realise some of their investment and help with succession planning. The Puljichs' play started in 1982 with Peter Puljich and one site owned by his family company, Living Gems. It increased its footprint steadily in Queensland before the family set up GemLife in 2016 alongside Thakral Capital, a financial investor, and a subsidiary of Singapore's Thakral Corporation.

"The merger will represent an exciting new phase of GemLife's growth, and we look forward to continuing to bring high-quality affordable housing for Australia's over-50s. Our focus is on long-term accommodation for seniors – we have no caravan, holiday parks, or rental villages within our portfolio."

"Land lease has grown incredibly quickly and finding the right land in the right location is challenging. We anticipate planning for more vertical land lease developments in the years ahead," he said.

Victoria and expansion

GemLife (Ruby Developments) is looking at opportunities for sites in Victoria this year. It has one site in Victoria, GemLife Woodend in the State's Macedon Ranges Region, which opened in 2020.

GemLife is involved in the following projects this year:

- *First homes are being built at GemLife Palmwoods in the Sunshine Coast hinterland, Queensland GemLife is developing new sites including Palmwoods on QLD's Sunshine Coast, where Stage 2 is now selling with prices starting at $630,000.*
- *GemLife is still in negotiations with Gold Coast Council over its pioneering vertical land lease development at Currumbin Waters. The company has scaled down its original proposal, which was rejected on appeal by the state's Planning and Environment Court, from 340 to 216 apartments.*
- *Civil construction team to break ground on Stage Two of GemLife Pacific Paradise, also on the Sunshine Coast, at the end of the month or in early February.*

- *Council approval for first stage of construction for GemLife Gold Coast. A state-of-the-art sales centre will officially open next month;*
- *Stage Five residential construction to begin when Stage Four homes are completed at GemLife Highfields, in Toowoomba;*
- *Civil works is well underway at its boutique resort in Tweed Heads in northern NSW;*
- *Civil works are underway at its first resort on the Mid North Coast of NSW, including the commencement of works on a two-level country club. First slabs are due to be poured next month for stage one homes, and the resort's permanent sales centre is nearing completion.*
- *Building a tennis court and tennis clubhouse facilities at GemLife Woodend in Victoria.*

The GemLife stake is expected to attract interest from the listed property players keen to get into or increase their land lease portfolios - Stockland, Mirvac, among others - and offshore groups like US giant Hometown, which acquired Australia's Gateway Lifestyle in a $685 million deal in 2018.

Lendlease investors Aware Super and APG reportedly in running for $2B GemLife
Published on May 31, 2022
Australia's third largest superannuation fund Aware Super, which holds 49.9% of Lendlease's Retirement Living brand, and Dutch pension fund APG, which owns 25% of the same portfolio, are reportedly looking to invest in QLD-based land lease operator GemLife, created by the Puljich Family, for a suggested $2 billion,
The high interest is based on the fact that GemLife has a reported 11,000 housing sites across its portfolio and predicts by year-end it will be the largest LLC operator in the country.

GemLife is developing new sites including Palmwoods (pictured above) on QLD's Sunshine Coast, where Stage 2 is now selling with prices starting at $630,000.

Land lease communities are enjoying the same new selling market.
GemLife sells three-bed homes for $640,000 versus the local median in Pimpama at $530,000, and Hometown sells two-bed homes for $595,000 while $625,000 is the median for local two-bed homes in Port Macquarie.

One can say that older Australians have made a killing out of increasing home values – but this does not hold when you are paying the same or higher than the local market rates, unless you are moving to a lower-priced area.

HALCYON – STOCKLAND

The most recent portfolio sales in the sector saw Stockland acquire smaller Queensland group Halcyon in the second half of last year. Stockland paid $620 million for Halcyon, which had about 4000 lots. Macquarie Asset Management was an underbidder in the Halcyon auction.

The buyer interest comes amid a backdrop of Australia's ageing population and housing market, which has helped fuel demand for homes inside land lease communities.

Stockland submits plan for $110M senior housing precinct in northwest Sydney

Published on June 28, 2022

Sydney-based property group Stockland had lodged plans to build a new seniors' living precinct in northwest Sydney.

The project, valued at just over $110 million, is for 231 freestanding seniors' houses at Hills Shire's newest suburb, the 293-hectare The Gables, where Stockland is building more than 3,600 residential homes, a retail and commercial centre, and a new $150 million school.

Halcyon operates a manufactured housing estate (MHE) business model—buying large plots of land and building houses, which are exclusively sold to people older than 50. Its nine communities, on the Sunshine Coast, Gold Coast, Moreton Bay, and Logan Region, are home to more than 2500 residents.

The revenue from land lease communities is linked to an underlying rental return on the land that residents—who own the dwelling they live in—continued to pay the landowner.

Newly appointed Stockland chief executive Tarun Gupta said the acquisition would increase Stockland's land lease communities portfolio to 7800 sites.

Gupta said the business would continue to run separately to its retirement holdings and land bank, where more land lease estates could be built.

"There are synergies we can leverage to grow the business at scale nationally and achieve our ambition of becoming a leading operator in this space," he said.

"Land lease communities deliver attractive returns as the demand for high quality, affordable housing solutions grows.

"This demand is driven by Australia's ageing population and baby boomers reaching retirement age."

Stockland, still the country’s second-largest retirement accommodation operator after Lendlease, currently has land lease communities as part of its Aura project on the Sunshine Coast in Queensland and Minta development in Melbourne.

In April, Stockland sounded out plans to focus on third-party capital partnering for office developments and the retirement living sector.

UBS analyst Tom Bodor said Stockland's MHE strategy would allow the company to increase sales velocity in new residential estates by targeting an additional growing customer demographic.

“The acquisition is on strategy in the favourable MHE sector. While the price is elevated, Halcyon’s villages are unique and in our view arguably deserve some premium for quality and location. Stockland has built a pipeline of 3000-plus MHE units which we estimate will add 4 per cent, or $37 million, per annum until 2025. “MHEs are affordable retirement communities where residents own ‘relocatable’ houses and pay ground rents to the operator. Rents cover council rates and shared facilities and are low, around $200 per week, with most residents claiming government rent assistance.”

Its latest acquisition could now also re-rate Australia’s manufactured housing sector. The $620 million transaction includes the acquisition of 3,800 Halcyon sites across 13 land lease communities, made up of six established land lease communities, four communities in the development and three projects in planning.

Halcyon was previously a privately-owned company that was known for its high-end, resort-style land lease communities, which are very popular among self-funded retirees.

Stockland will welcome over 2,500 new customers to its portfolio as part of the acquisition, as well as a team of over 100 people with in-depth sector experience which will strengthen Stockland’s existing land lease capabilities. Stockland Managing Director and CEO, Tarun Gupta said: “This acquisition is in line with our stated strategy to grow our land lease communities and will increase the size of our portfolio to 7,800 sites.”

“Land lease communities deliver attractive returns as the demand for high quality, affordable housing solutions grows. This demand is driven by Australia’s aging population and baby boomers reaching retirement age.

“Halcyon enables us to acquire a respected brand in the market with a loyal customer base and a knowledgeable team, which will help us achieve scale in the fastest growing lifestyle segment – the over 50s market.

“We see the land lease communities business as complementary to our master planned communities land bank and believe there are synergies we can leverage to grow the business at scale nationally and achieve our ambition of becoming a leading operator in this space.”

Stockland will fund 100 per cent of the acquisition price and associated costs from existing liquidity. Before today’s decision, Stockland had already developed a pipeline of around 4,000 land lease sites. In June, it commenced construction on a $6 million clubhouse at its first land lease community, known as Thrive Nirimba, on the Queensland Sunshine Coast.

Today’s announcement will make Stockland one of the largest Australian land lease community operators, sitting alongside other major players such as Ingenia and Palm Lake in terms of overall size.

“As our land lease communities portfolio grows we will explore opportunities to introduce aligned third party capital into this business to increase growth and build further scale and diversity in the portfolio” Mr Gupta said.

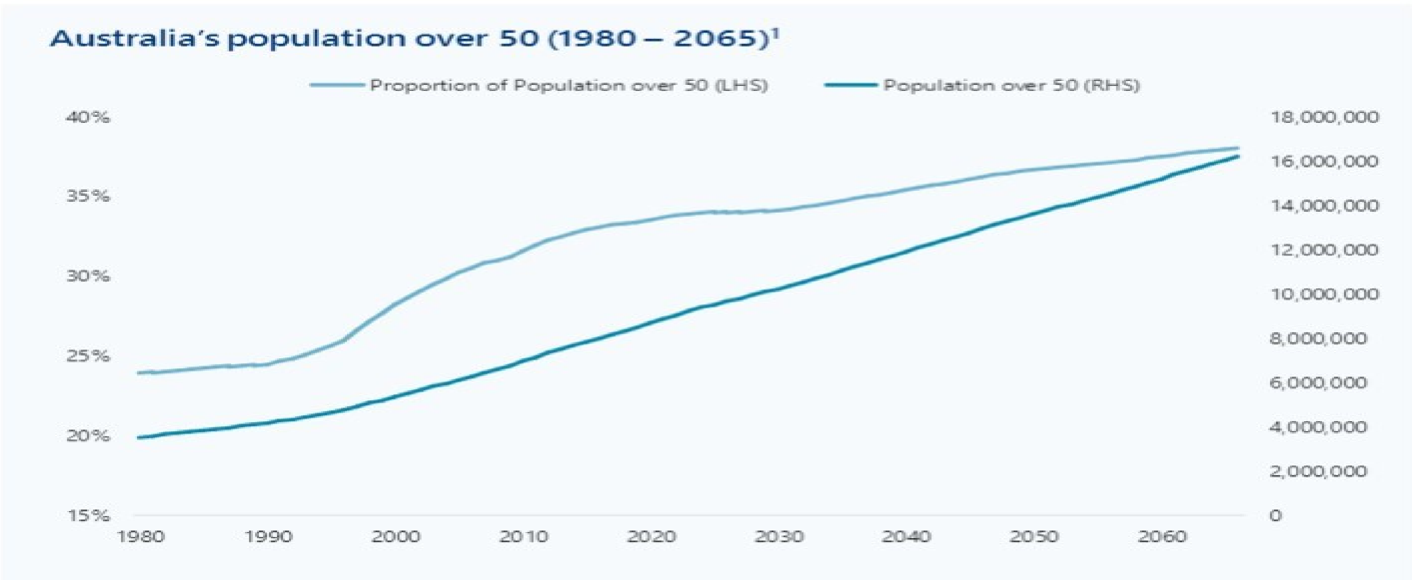
Halcyon Group Managing Director, Dr Bevan Geissmann, said: “Stockland’s diversified property experience, balance sheet, landbank and cultural fit make it the perfect business to lead Halcyon on its next phase of growth. Group Executive and CEO Stockland Communities, Andrew Whitson, said: “The potential for the land lease business to reshape lifestyle living for the baby boomer demographic is really exciting.

As a market, the over-50s are looking for well-designed, personalised housing; security; access to facilities and activities to maintain active lifestyles.
“This acquisition enables us to offer more customers access to this alternate over 50s lifestyle offering, brings forward our land lease growth plans, and enhances our ability to leverage our competitive strengths in master-planned communities to generate quality recurring income.” *“We see the land lease communities business as complementary to our master planned communities land bank and believe there are synergies we can leverage to grow the business at scale nationally and achieve our ambition of becoming a leading operator in this space.”*

The acquisition will see Stockland take over Halcyon’s 3,800 sites across 13 land lease communities, made up of six established and lease communities, four *communities in development and three projects in planning.*

Community	Location	Occupied Sites	In Development Sites	In Planning Sites	Total Sites
Halcyon Parks	Caloundra	171	-	-	171
Halcyon Waters	Hope Island	227	-	-	227
Halcyon Landing	Bli Bli	171	-	-	171
Vision by Halcyon	Hope Island	88	-	-	88
Halcyon Glades	Caboolture	217	-	-	217
Halcyon Lakeside	Bli Bli	232	-	-	232
Total established		1,106	-		1,106
Halcyon Greens	Pimpama	328	194	-	522
Halcyon Rise	Logan Reserve	19	301	-	320
B by Halcyon	Buderim	40	290	-	330
Halcyon Bayside	Burpengary East	-	379	-	397
Total in development		387	1,182	-	1,569
Redland Bay	Redland Bay	-	-	471	471
Yandina	Yandina	-	-	188	188
Peregian	Peregian Beach	-	-	400	400
Total in planning		-	-	1,130	1,130
Total Portfolio		1,493	1,182	1,130	3,805

Image – Stockland.



The acquisition will likely benefit from a rapidly aging population, Stockland also noted that there is a growing acceptance of land lease, and that the ageing-in-place strategy aligns with Government policy. Image – Stockland, Source – ABS.

Group Executive and CEO Stockland Communities, Andrew Whitson, said the acquisition brings forward the land lease growth plans for Stockland.
From the date of acquisition, Halcyon has contributed $52.4m of revenue and $3.3m to the net profit before tax from the continuing operations of the Group.

If the acquisition had taken place at the beginning of the financial year, revenue from continuing operations would have been $63.3m and the profit before tax from continuing operations for the period would have been $3.8m.

STOCKLAND AND LAND LEASE COMMUNITIES

Our Land Lease Communities reported net sales of 212 and~12 per cent price growth, ahead of our expectations at the time of the Halcyon acquisition in August 2021. In 1H22 we delivered 98 settlements and $4 million of recurring income reflects the part period contribution of Halcyon. The business is performing ahead of expectations, and we expect strong operating profit performance in FY22.

The integration of the strategically significant acquisition of the Halcyon platform is progressing well and providing strong synergy benefits. The impact of South East Queensland wet weather delays and COVID-19 supply chain disruption, will likely see the deferral of approximately 60 - 80 settlements into FY23. The impact on FFO is expected to be partially offset by strong margins over the period due to price growth. The partnership with Mitsubishi Estate Asia, announced in February 2022, will facilitate a faster pace of growth in our ~9,000 portfolio and the platform provided by our Land Lease Communities. On 23 February 2022, the Group announced it entered into a binding agreement with Mitsubishi Estate Asia (MEA) to establish the Stockland Residential Rental Partnership (SRRP), a long term partnership to develop and own land lease communities.

The initial portfolio will comprise six land lease communities currently in development. These include four communities acquired as part of the Halcyon acquisition and two Stockland communities, and their associated assets and liabilities. Stockland will transfer a 49.9% interest in SRRP to MEA. Under the agreement, Stockland will develop, lease and manage the properties on behalf of SRRP in exchange for management and development fees. The agreement is conditional on MEA receiving FIRB approval.

The Sydney-based developer has bought a 26ha farm in Curlewis, 17km east of Geelong's CBD, for a new master planned 325-home land lease community.

Stockland successfully launched two new land lease communities in 2H21 - Aura (QLD) and Minta (VIC). Sales rates for both projects are tracking ahead of budget. The Group also expanded its land lease development pipeline by approximately 1,000 lots during the period (to approx. 4,000 lots) via a combination of site acquisitions and the achievement of additional yield on existing sites.

Stockland's Land Lease Communities' sell 94 homes in 3 months – up 4.3% in 3Q22

Published on April 26, 2022, The transaction includes the acquisition of 3,800 sites across 13 land lease communities, made up of six established land lease communities, four communities in development and three projects in planning. This acquisition is in line with Stockland's stated strategy to grow its land lease communities and will increase the size of its portfolio to 7,800 sites and a $3 billion development pipeline, accelerating its ambition to be a leading player in the land lease sector.

ASX-listed Stockland, which said it hoped to complete the sale of its Retirement Living portfolio late this year or early next, has shown why it has put its faith in land lease communities by buying Halcyon for $620 million. It made 94 net sales in the third quarter of the 2022 financial year and said the sale price was up 4.3% on 2Q22. Stockland said its FY22 target of 220-240 home sales is maintained despite the impact of extreme weather conditions in southeast Queensland on supply chain and production.

Managing Director and Chief Executive Officer, Tarun Gupta said: "The Halcyon acquisition reflects Stockland's determination to leverage its scale, market reach and expertise in Residential to create not just additional revenue streams, but higher quality recurring earnings."

Post the addition of the Halcyon platform, Stockland now expects to generate approximately 600 land lease settlements annually within three years – double its previous target. Stockland's deep capability in acquiring greenfield land provides further opportunity to grow this business. As the land lease portfolio grows there will be an opportunity to introduce third party capital into the business.

Published on April 26, 2022

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Stockland said its FY22 target of 220-240 home sales is maintained despite the impact of extreme weather conditions in southeast Queensland on supply chain and production.

"Future year margins to increase due to price growth, increasing scale and management fees, tempered by upward cost pressures," the company told the ASX. "Leveraging Halcyon platform to unlock incremental pipeline opportunities from our master planned communities landbank."

Stockland's purchase of the Queensland operator Halcyon gave it 3,800 lots, two-thirds of which were still in planning or development.

Boom time: consolidation in the land lease sector reaches its peak as operators cash in on demand

Published on March 22, 2022

Operators and advisers say now is the prime time to sell as the larger players look to consolidate their position and meet growing demand for the model.
The sector has seen a swathe of mergers and acquisitions in the past 12 months as operators look to cash in and exit or build their footprints including Stockland's $620 million acquisition of Halcyon Group, Ingenia's $270 million acquisition of Seachange Lifestyle Resorts and the Gems. GemLife Director and CEO Adrian Puljich says there is no question that the land lease sector is the "industry flavour of the month."

"In terms of selling an asset, I think there has never been a better time for any operator to be able to sell any type of quality land lease community, whether it be your A class or your caravan parks," he said.

The good growth in the sector will see some existing owners hold onto their businesses in the near-term, according to Duncan Wilmer (pictured right), Managing Director at Rothschild & Co. Australia, who heads its real estate advisory business in Australia and led the transaction of Halcyon to Stockland.
However, in the longer-term, the MD expects to see more opportunities emerge.

"There are other operators who have capital behind them who may stick to greenfield development as a driver of growth before they consider M&A, but inevitably in the medium-term, there will be opportunities."

Gateway

MHE operator Gateway successfully lists on stock exchange – $380M

Published on July 2, 2015

Established in 2009 and now with 36 manufactured home estates down the east coast of Australia, Gateway lifestyle group has successfully listed on the Australian stock exchange with a value of $500 million. $380 million was raised with existing investors retaining 16.4% of the company. They forecast a yield of 6.3% and valued business at 12 times their forecast 2016 profit of $45 million.

Gateway is made up of three investment funds plus a recently acquired Tasman group of estates. The first investment fund was established by Trent Ottawa and backed by Phil Green and Trevor Loewensohn (pictured), who were the drivers behind the creation of Babcock & Brown Communities which became the backbone of Lend Lease Retirement. Gateway now has 5,861 approved sites with approximately 6,000 residents in 4,046 manufactured homes.

Yesterday they acquired an additional manufactured home estate, Cobb Haven at Moama (near Echuca, NW of Shepparton) for $12.3 million, delivering 198 occupied sites plus land for 45 additional new homes.

Gateway state their target market is people aged 65 to 75 and average occupancy is 15 years. There are 2,000 parks across Australia available to be converted to manufactured home estates, offering affordable housing to retirees.

In their prospectus Gateway declared their average value of a manufactured home is $250,000 and they aim to be priced at 40 to 60% of the median house price in the local market. Rental income accounts for just under 50% of total revenue; they have delivered an average 5.2% increase in rental income each year since 2009. They budget on $7000 per home rental income a year or $135 per week.

With 14 parks in development their monthly marketing budget is $45,000, delivering 150 to 200 leads and 10 new home sales per month.

Gateway joins two other MHE operators on the stock exchange, Lifestyle Communities and Ingenia.

Council approves new 90ha site for LLC development at Hervey Bay, QLD
Published on June 28, 2022
Two golf courses make up a 90-hectare site which has opened up for land lease community development at Hervey Bay on Queensland's Fraser Coast.
Hervey Bay, where over-50s reportedly make up approximately half of the population, has more than 10 retirement villages and land lease communities. As there are around 30,000-40,000 seniors in the area, there has been high demand for retirement living; this, coupled with construction constraints, has led to long wait lists, according to Paul Capper of Bespoke Realty Services.

"Probably more people live in over-50s gated communities per head of population than anywhere else in Australia." he said. Serenitas and Ingenia are among the LLC operators that have recently opened up shop in Hervey Bay.

Our vision is to create Australia's best lifestyle and holiday communities.

Contracted		
Seachange (portfolio) South East QLD	Six premium lifestyle land lease communities in South East QLD with 693 existing sites plus 548 development sites	$270 million
Caravan Parks of Australia (portfolio) VIC and NSW	Portfolio of seven mixed use communities, including three communities located in Greater Melbourne	$110 million
Greenfield development site Metropolitan Brisbane, QLD	Greenfield site with potential to create a lifestyle land lease community of 160 homes	$24 million
Total contracted		**$404 million**
Acquisitions under offer / due diligence	Additional acquisitions, comprising five mature assets (three lifestyle communities and two holiday parks) in NSW and VIC and a partially commenced lifestyle community in QLD	~$148 million
Total (all Acquisitions)		**~$552 million**

Ingenia competed with Stockland, Macquarie, GIC and Hometown for the portfolio that comprises 693 existing sites and 548 development sites and its management team. Its other purchases were Caravan Parks of Australia's seven mixed-use community portfolio of more than 1,400 permanent, annual and tourism sites in Victoria and on the border with NSW, for which it paid $110 million, and a $24 million greenfield site in metropolitan Brisbane with capacity for a 160-home community.
The acquisitions lifted Ingenia's development pipeline to 6,278 sites, on par with Stockland. Ingenia also said it planned to accelerate its development and settle between 1,800 and 2,000 new homes over the next three years.

Ingenia powers up growth on compelling LLC business case
Published on June 15, 2016
Ingenia called a halt to the trading of its shares in the ASX yesterday to announce that it had raised $60M from institutional investors to fund the purchase of four Land Lease Communities, including one in metro Sydney. (LLC is the legal term for Manufactured Home Estates).

This takes Ingenia to 30 LLCs with 4,000 residents acquired from a standing start three years ago.

The business case is compelling:
- *Both deliver weekly cash rental income*
- *Occupancy is controllable*
- *Tourist cabins are converted to permanent sites as demand allows*
- *The permanent resident market is affordable housing which is 50%+ of the market and severely undersupplied*
- *New home construction is to order guaranteed sale with a non-refundable deposit*

- *Construction time is say 8 weeks only medium term capital cost is the civics (roads, water etc.)*
- *Centrelink subsidises the weekly land rental, for pensioners*

The result is that Ingenia has massive weekly cash flow exceeding $1M and each acquisition generates an immediate positive yield in the case of the four acquisitions, around 8%.
Published on August 25, 2020
The group has now taken the lead from Hometown as the largest diversified lifestyle group, with Walter Elliott's Palm Lake Resort group coming in third in size.

Owen created Ingenia out of the collapsed ING Real Estate Community Living, internalising its management and taking it public in 2012. It is now valued at $1.2B.

Ingenia collecting $1m cash every week from rental and land lease villages
Published on March 1, 2016

FINANCIAL

- Revenue of **$244.2** million – **up 7%** on FY19
- EBIT **$71.9** million – **up 17%** on FY19

OPERATIONS

- Rental revenue continuing to grow – **up 5%** on FY19 to **$94.5** million
- Ingenia Lifestyle margin expansion – **up 40** basis points to 39.7%

Total potential development sites	**3,015**
Ave new home sale price	$430,000
Ave above ground new home margin	> 45%

Then consider the development income. Ingenia makes about $85,000 development profit from each new home built and sold with very little capital required to fund the build and say a three month turnaround. They now have 1,841 development sites. This equates to a development profit of $156,485,500 sitting there to be realised

Financial backing for Ingenia's acquisition pipeline shows confidence in lifestyle community model. Published on November 9, 2021, Ingenia paid $270 million for Seachange, which had six sites and about 1200 plots. ASX-listed Ingenia

Communities has successfully completed its institutional component of its plan to raise $475 million to help fund its aggressive $552 million acquisition pipeline.
A total of $370 million was raised by the institutional component. Approximately 92% of eligible entitlements were taken up by existing Ingenia securityholders. The group's largest shareholder Sun Communities fully participated.

After buying 19 sites in FY21, Ingenia has acquired or is in the final stage of exclusive due diligence for 20 additional communities and land sites. It is paying $270 million for the Seachange portfolio of lifestyle communities – two established, two partially sold and two development sites – in southeast Queensland. The diversified group, which covers land lease communities, rental villages and tourism parks, achieved revenue of $244M, up 7%, and EBIT of $72M, up 17%.

Over 13 months (including July) they have acquired all or an interest in 2,161 income producing sites, outlaying $100M.

Aggressive Ingenia to commit $552 million for the acquisition of 20 communities and development sites across seven different transactions.
Published on November 2, 2021
Ingenia announced it had acquired or is in the final stage of exclusive due diligence for 20 additional communities and land sites. The acquisitions will add 2,955 income producing sites and 856 development sites to Ingenia, expanding its portfolio by approximately 38% to approximately $1.8 billion.90 communities (19 added in past 13 months.

Once complete, Ingenia will have 110 communities across the country. Before these acquisitions they had 35 land lease communities, 29 holiday and mixed use locations and 27 rental villages. Included in yesterday's contracted announcements is the Seachange portfolio in SE Queensland, purchased from the Pradella Group, comprising of six land lease communities with 693 existing sites +548 development sites. Ingenia paid $270 million. Others reportedly bidding for Seachange included Stockland, Macquarie, GIC and Hometown.

Also announced yesterday was the purchase of Caravan Parks of Australia, a portfolio of seven mixed use communities, including three located in the greater Melbourne area and the balance in regional areas after the New South Wales border. Ingenia paid $110 million and cited that the purchase accelerates their move into Victoria.

They have also paid $24 million for a Brisbane land lease community development site for 160 homes, an average land plot price of $150,000.Currently under exclusive due diligence are three lifestyle communities and two holiday parks in

NSW and VIC, and a partially commenced lifestyle community in Queensland with the purchase value of $148 million.

After building and settling 370 homes in FY 21, Ingenia is targeting 475 settlements in FY22, including 50 from the Seachange purchase.

"We seek to deliver 1800 to 2000 new homes settlements over the next three years. "To fund the purchases Ingenia will go to existing eligible security holders to raise approximate $475 million, issuing new securities at a 6% discount to the last closing price of $6.51 share.

Owen was appointed CEO in 2009 to the ING Community Living Fund, when it had no land lease communities or holiday parks and was valued at $14 million. With these acquisitions flowing through, it will approach a $2.7 billion valuation.

Published on August 31, 2021

Capitalising on the COVID backed sea change/tree change movement of seniors to regional areas, Ingenia's home pricing is no longer positioned as a developer of $300,000 land lease homes; the average new home price is now $439,000.

Current projects in market			Suburb	
Community Name	Suburb	LGA	Median House Price June 21	Price growth[1] (past 12 months)
Hervey Bay	Urangan	Fraser Coast Regional	$453,000	25%
Nature's Edge	Buderim	Sunshine Coast	$906,000	24%
Freshwater	Burpengary	Moreton Bay	$554,000	15%
Bethania	Bethania	Logan	$388,000	11%
Chambers Pines	Chambers Flat	Logan	$415,000[2]	5%
Plantations	Woolgoolga	Coffs Harbour	$680,000	31%
Latitude One	Anna Bay	Port Stephens	$794,000	30%
Sunnylake Shores	Halekulani	Central Coast	$827,000	31%
Lara Extension	Lara	Geelong	$696,000	20%
Parkside Ballarat	Lucas	Ballarat	$593,000	23%

$215M in new site acquisitions

The company states it has a dedicated focus on acquisitions to grow 'rent based, annuity style revenue.' In FY21, they settled $215 million worth of acquisitions across 13 established communities and land acquisitions. They now have 4,220 potential home sites.

In addition, Ingenia has $200 million in FY22 acquisitions in negotiation or contract development. The standout feature is the speed of development and sale, averaging 50 to 70 new homes a year for each new development project.

Community	No. Homes	Commenced	Ave. Price
Latitude One, NSW*	270	FY18 Final sales Q4 FY21	FY18 - $458k FY21 - $660k
Plantations, NSW	191	FY18 Final sales Q1 FY22	FY21 - $496k
Hervey Bay, QLD	370	FY19	FY21 - $328k
Freshwater (JV), QLD	250	FY20	FY21 - $414k
Lara (expansion), VIC	174	FY21	First settlements Q2 FY22
Parkside, VIC	250	FY21	First settlements Q3 FY22

* Project returns in excess of forecast.

This is backed up with price escalation through the buildout process. Latitude One commenced at an average price of $458,000 per home in 2018 and finished the project at the average price of $660,000, a 38% price growth in four years.

Four tier business

Ingenia launched in 2012 as an operator of rental villages and valued at less than $100 million. The listed group is now valued at $2 billion and made up of four business segments, rental villages, holiday parks, lifestyle rental and the development arm, given its joint venture with Sun Communities and acquisition of Eighth Gate funds management (specialising in land lease communities).

Ingenia Communities CEO Simon Owen advises ASX finances better than expected: EBIT up 30%
Published on July 27, 2021

ASX-listed land lease operator Ingenia Communities has lifted its EBIT earnings guidance for the year just ended to $71.9 million, about 30% higher than last year's figure – in contrast to its earlier guidance of 15-20%. "Above ground home development margins exceeded the first half and we close the year with over 300 contracts and deposits in place, demonstrating the growing demand across our projects," said Ingenia Communities Group CEO Simon Owen. It will report 380 new home settlements, up 17% on the previous year and at the top range of its earlier guide of 360-380 settlements when it reports its earnings for the last financial year on 18 August 2021.

Ingenia Communities achieve record-high sales across LLCs, rental villages and holiday parks in past 12 months

Published on July 5, 2022
Despite industry-wide supply chain and labour challenges, Ingenia Communities has increased its sales across LLCs, rental villages and holiday parks by 8% in the financial year and to a new record high of 409 sales.

In a sales and guidance update to the ASX last Friday, the Sydney-based owner/operator also said its settlements pipeline (449 deposits and contracts) is up 42% on 30 June 2021. Aged just three years and eight months, listed seniors accommodation operator Ingenia has announced its Half Year results, with an $8.4M operating profit, up 40% over the same six months last year. Revenue was $52M an operating profit margin of 16% in a growth phase.

Owens development profit is the envy of the retirement village sector. Over the six months they sold 58 homes at an average gross profit of $83,000 each against a price of $265,000 30% margin excluding land costs but including installation. Construction is to order with virtually no fixed expenditure before delivery.

Ingenia Communities owns 95 communities across its portfolio, has five greenfield lifestyle community developments owned through a development Joint Venture with Sun Communities, and nine established communities through the Group's managed funds.
Published on July 5, 2022

Lifestyle Communities

It told the ASX in May it expects to sell between 390 and 405 new homes and between 14 and 150 resale settlements attracting a deferred management fee in FY22. In February Lifestyle Communities, co-founded by CEO James Kelly (pictured), announced it had achieved a net profit after tax of $27.5 million for the first half of the 2022 financial year, compared to $14.1 million in the same period last year.

James knows the good times are far from over. The Census 2021 last week revealed there as many Millennials as Baby Boomers. "The really exciting thing is that as we increase penetration rates and the average age moving keeps reducing, the addressable market continues to grow exponentially and as a result, we so welcome new competitors to Victoria – like Ingenia and Stockland who are so good at what they do."

James Kelly's listed land lease community group, Lifestyle Communities, with 25 locations and 2,200 development sites is valued today at $1.5 billion.

Goldman Sachs analysts tip shares of LLC operator Lifestyle Communities to rise 80%.
Published on June 7, 2022
"LIC generates low-risk, annuity rental income. RLLCs (Residential Land Lease Communities) are becoming an institutional-grade property sub-sector, with increasing demand, particularly from offshore institutions/pension funds/corporates."

Lifestyle Communities reaffirms its financial forecasts with 322 new homes sold this financial year.

Published on May 17, 2022

South Melbourne-based Lifestyle Communities has sold 332 new homes and awaiting settlement to the end of April. This result compares to 252 sold at 31 December. It is on a par with Ingenia Communities, which last month said it had settled 227 new homes, with a further 460 homes deposited or contracted. Lifestyle Communities said it expects to sell between 390 and 405 new homes and between 140 and 150 resales attracting a deferred management fee in the FY22.

Mirvac have given a planning permit to established operator Lifestyle Communities to develop a 7.1ha site in the Woodlea master-planned community, in Aintree, 29km west of Melbourne CBD.

Hometown Australia Communities

Hometown Australia Communities is a subsidiary of Chicago-headquartered Hometown America Communities, and currently owns and operates around 60 communities in Australia valued in excess of $1 billion. They own 17 parks in Qld and 54 in Australia.

Land lease owner/operator Hometown Australia expands its Queensland portfolio

Published on April 26, 2022

Hometown Australia Communities, the Australian arm of the US Over 55s and all-age communities owner/operator Hometown America, has bought its first Over 50s land lease community in Toowoomba, the second most populous inland city of Queensland. Bridge Street, which is in the suburb of Wilsonton, is the first Hometown Australia community within the Toowoomba region of the Darling Downs. The 262-site community brings its portfolio in the state to 17. Altogether, Hometown Australia now owns and operates 54 sites (including some such as Glenfern Thrumster and Parkside Yamba, both in NSW, in development)

JUNE 25, 2018, Hometown sweetens takeover bid for Australia's Gateway Lifestyle By Reuters Staff

(Reuters) - Australia's Gateway Lifestyle Group GTY.AX said on Monday it received a sweetened A$713.8 million ($531 million), or A$2.35 a share, takeover offer from Hometown Australia Holdings Pty Ltd and Hometown America Communities Limited Partnership.

The revised bid came after Canada's Brookfield Asset Management Inc BAMa.TO launched a A$698.6 million bid for the retirement village owner last week.

The new offer was 11.9 percent higher than Hometown's original A$2.10 per share offer, and at a 1.3 percent premium to Gateway shares' last close of A$2.32.

Hometown owned over 18 percent of Gateway securities as of Saturday, Gateway said in a statement, adding the revised proposal was subject to the same conditions as Hometown's initial proposal earlier this month.

Gateway, which operates 50 retirement villages, often former caravan parks converted into communities for residents over 50 years old, reported a 2.8 percent rise in first-half net profit after tax to A$20.6 million.

The Australian arm of budget accommodation giant Hometown is looking to divest a $110 million group of housing estates carved out from the portfolio of Gateway Lifestyle, which the US player took over last year.

The $685 million takeover of the listed Gateway platform last year made Hometown Australia Communities the country's largest owner and operator of residential land lease communities.

The housing model entails the development of factory-made dwellings for residents, typically budget-conscious retirees selling out of their family home, who pay a ground rent for their site in an estate.

A year after the takeover Hometown has marked out a number of Gateway assets as non-core. The estates are mostly at regional tourism and retirement destinations, including the Tweed Coast and the NSW mid-north coast and Lakes Entrance in Victoria. They are being offered for sale either individually or in one line.
One of the former Gateway assets – a greenfield site at Yarrawonga in Victoria – has already sold at a 30 per cent premium to the Gateway acquisition price.

"We expect interest from local private buyers through to listed real estate investment trusts, which have been increasingly active in the sector in recent years," Mr Jackson said.

"There is a wide geographic spread and a diverse range of assets being offered, so we expect to receive significant interest in each property. There is a crossover between the permanent RLLC sector and the traditional tourist / caravan park market so many of the assets will be of equal interest to players from each of these sectors."

Mr Jackson said that there had been a significant increase in activity involving overseas-based institutions, either entering or increasing their exposure to the Australian hotel and leisure market in 2018.

“While transactional activity in 2019 has been somewhat subdued, this can be attributed more to a lack of available stock than any waning in investor interest or sentiment,” he said.

Hometown Australia developing new over 55s land lease community in Port Macquarie

Published on September 14, 2021

There will be 151 land lease homes built on Hometown Australia’s latest land lease community Glenfern Thrumster, which is now being built over three stages, 10 minutes’ drive from Port Macquarie, NSW mid North Coast about 390km north of Sydney’s CBD.Hometown Australia has 10,000 residents in over 52 communities. It is the Australian arm of the US home park operator Hometown America, which owns over 60 land lease communities, with more than 24,000 homes across the US.

THE AUSTRALIAN arm of this American housing operator has splashed out $57 million on three new land lease communities in Australia.

The Australian subsidiary of Hometown America recently snapped up the 430-site Green Wattle Villages at Burpengary in Queensland. The deal is the single residential land lease community acquisition in Australia to date.

Hometown is also in the process of buying two NSW communities with a total of 148 sites from Ingenia in Lake Macquarie and the lakeside Chain Valley Bay.

The Sydney-based property developer now has 950 home sites under management, which includes the 578 sites at Green Wattle Villages.

The acquisitions give the operator five communities in its portfolio, after it spent more than $19 million on Newport Village and $9.4 million on Sunrise Park, a Port Stephens development with approval for 188 home sites, last year.

Hometown Australia director Kevin Tucker said his team was actively pursuing additional acquisition opportunities of existing communities and greenfield development sites. "We have a strong desire to continue to grow our portfolio," he said.

Fellow director Stuart Strong said the team was attracted to these assets because of their strong community environment and sought-after locations.

"The most recent acquisitions confirm our strategy to only own and operate long-term, permanent residential communities," Mr Strong said.

Hometown Australia Communities is a subsidiary of Hometown America, one of the top five owners and operators of residential land lease communities in the US where it owns and operates 60 communities in 10 states containing 24,000 homes.

Hometown started operating in Australia in August 2016.

Buys Laurieton Residential Resort to make it five communities on NSW Mid-North Coast
Published on July 5, 2022
It has bought the 301-site Laurieton Residential Resort at Lakewood to add to the four existing land lease communities it owns and operates: Newport Lake Macquarie, Taskers Port Macquarie, The Retreat Port Macquarie and Glenfern Thrumster, which is 26km further north of Lakewood, which is being built. That is 910 homes Hometown Australia Communities owns on the Mid North Coast of NSW alone, including Glenfern. The site is located approximately 50km north west of Sydney's CBD.

Kwan Family Investments Holdings bids to build Over 55s units at Bega (NSW South Coast)
Published on June 28, 2022

A development application has been submitted to build a new 38-home gated community on an undeveloped lot in Bega on the NSW South Coast.
Kwan Family Investment Holdings lodged the DA with Bega Valley Shire Council on 17 June proposing to build two rows of duplex units, with community facilities in between the two rows, including a 25m swimming pool, a communal building, and an outdoor barbecue. Documents submitted to Council state the project, valued at $10.3 million, will feature 17 single-storey duplexes, with four additional attached dwellings.

And this is plausible as local council regulations make building a new village almost impossible, so buyers have little choice but to relocate outside their traditional area if they want to live in a village.

Whatever the reasons, demand does exceed supply and the smarter operators are at long last taking advantage and escalating prices, which benefits existing residents as profitable operators have financial flexibility to deliver more facilities and services. Published on June 21, 2022.

SERENITAS

Rob Nicols founded Serenitas in 2017 and has over a decade of experience in the residential land lease sector; previously founding Tasman Lifestyle Continuum, fulfilling the role of COO for Gateway Lifestyle Group and completing over 50 acquisitions of lifestyle communities.

On May 29, 2018, private equity firm Tasman Capital Partners and sovereign wealth fund GIC Private Ltd. acquired real estate company Serenitas Communities Pty Ltd. 23rd May 2018 - NLV said today its 10 gated communities in WA would be sold to Serenitas, a newly formed, NSW-based management company backed by Australia's Tasman Capital Partners and Singapore's giant sovereign wealth fund, GIC.

- Australia's 3rd Largest MHE operator merged with Gateway and floated on the ASX
- 3.0x money, 129% IRR over 14 month period

Singapore's GIC and local partner form joint venture to acquire WA's National Lifestyle Villages

Published on May 29, 2018
The Singaporean sovereign wealth fund and its partner Tasman Capital have formed a new group Serenatas to acquire NLV's eight villages and two in development for a confidential price. Serenitas founder and CEO Rob Nichols says they are looking forward to bringing their "wealth of experience" in the sector to NLV. Mr Nichols founded Tasman Lifestyle Continuum, growing it into Australia's third-largest Manufactured Home Estate (MHE) operator with 11 villages before it was merged with Gateway Lifestyle.

Under the deal, local private equity firm Navis and the US-based private equity firm Blackstone – which earlier this year bought 80% of Latrobe Financial with its aged care loans business – will exit the investment, while NLV founder and director John Wood will become Serenitas' national sales and marketing executive.
GIC was first rumoured to be looking at NLV in 2016, the same year it invested in the US' 'YES! Communities' which owned 170 mobile parks.

Serenitas now has 22 communities across Australia including under NLV and the Thyme Lifestyle Resort brands. Land lease operators say that the level of activity reflects the maturing of the sector into a genuine asset class and a trusted consumer product.

"Institutional investment has certainly found its way to this sector, and it has gone from being a niche sector to a bonafide investment asset class," said Serenitas Director of Business Development, John Wood, who founded National Lifestyle Villages in 1999 before selling its eight communities and two in development to GIC and Tasman Capital-backed Serenitas in 2018.

Lincoln Place pays $42M for two land lease sites in NSW and QLD
Published on February 15, 2022
Sydney-based real estate fund manager Lincoln Place, which owns and operates nine land lease communities in NSW, Victoria and Queensland, and has 11 in

planning, has paid $42 million for two existing waterfront sites in NSW and Queensland.

Lincoln Place, founded in 2018 by former Mirvac CEO and Managing Director Nicholas Collishaw and former Mirvac Fund Manager Ben Hindmarsh, has bought the Alceon Group-owned Silver Shores Village Caravan Park in Bribie Island, Sandstone Point, and the Alceon Group's Chinderah Lakes and Tweed Shores parks (pictured) across the border in northern NSW.

The $42 million is nearly double the price that Alceon paid for the manufactured home estates at Tweed Heads and Sandstone Point. The 149-site Silver Shores Caravan Park, on 4ha, was purchased for $10.25 million in March 2019. The adjoining Tweed Heads-Chinderah Lakes properties, totalling a combined 6.77ha and 225 sites, were purchased for $13.05 million in July 2020. Lincoln Place's website states that Silver Shores Village offers a broad range of accommodation options – from a number of affordable short-term powered and unpowered tent and caravan sites through to semi-permanent and permanent home sites.

Chinderah Lakes will house residents within 65 permanent land lease sites as well as 13 dwellings for short-term visitors. It will open in the middle of next year. Tweed Shores Village has 137 land lease sites and 10 tourist dwellings.
Lincoln Place Executive Director Nicholas Collishaw said the operator has moved onto their 18th land lease site in four years of existence.

"It is going very well. Up north, the new sites are relatively secure, and we will work on modernising them," he said. "There is a strong income stream which we will use to get on with our other projects. "Silver Shores is a land lease community, and it is not going to change dramatically. We will gradually replace the caravans when people move on with homes."

PHIL BARTSCHTHU 07 APR 22

Residential Land Lease Communities Hit Pay Dirt

At last count, more than 22 million people in the US were living in manufactured home estates or residential land lease communities. Think about it—that is at least 85 per cent of Australia's population.

It is a big number and while Australia has got a long way to go to match the estimated 7 million manufactured homes across the US, it has emerged as a fast-growing sector in recent years.

"Obviously, our population mass isn't the same but it's still an ageing demographic," financial advisory firm BDO business services director Angus Strachan said. "More and more baby boomers are coming towards retirement and people are seeing that as an opportunity."

To date, much of the sector's focus has been targeted at the older demographic but, "it's not just all about the over-50s or retirees". "There are other people who live in these park homes."

He said the rise of the residential land lease communities sector—including manufactured homes estates and lifestyle communities as well as a segment of caravan parks—was being driven by a number of factors.

"There are relative strong profit margins, particularly as real estate generally increases, in the initial upfront sale of these homes … and there's security of income from the ongoing ground leases, Strachan said.

"Really, it is a land play. "Effectively, the developer is selling the customer a factory-made home and that is a way of funding these developments as well and they also retain ownership of the underlying land.

"So, they get a bit of a windfall on the profit they make on the sale of the home to start with and then they've got the ground rent that they charge ... and they've typically got long-term leases locked in.

"Also, they usually make some sort of commission out of the second and subsequent sales as well."

The surge in demand in the residential land lease sector also coincides with an emerging housing affordability crisis across the country and, significantly, it is one of the few sources of available affordable housing in many areas.

"As freestanding homes in the suburbs of the capital cities get more expensive it is becoming an increasingly attractive housing option," Strachan said.

Major players in the sector include Ingenia Communities, Tasman Holiday Parks, *Hampshire Property Group, GemLife, Serenitas, Lifestyle Communities, Palm Lake Resort and a growing number of heavy-hitting local and offshore investors.*

"It's at a relatively mature stage in Australia now where there is a fair bit of industry consolidation going on," he said.

"We've seen the value of these businesses accelerate a lot during the past few years and currently what people are paying for them are record highs with some doubling in value."

Australia's largest listed residential developer Stockland last year paid $620 million to acquire Queensland-based land lease developer Halcyon; and another property giant Mirvac also is making its move into the sector.

Hometown Australia, the local arm of US-based residential land lease communities giant Hometown America—the owner-operator of 60 MHE communities in the US—also has aggressively entered the market.

"That's a healthy sign for the sector, these organisations have got pretty strong balance sheets so they're probably going to do a lot of investment," Strachan said.

"It has gone well beyond the old incarnation of the onsite vans with those horrible annexes attached to them that started it all in the 1970s. It is an evolution of the industry, and it will take it to the next level."

FOR SALE - COLLIERS

Expressions of Interest closing 10th Nov 2021 Colliers Sunshine Coast
Colliers are pleased to offer to the market an outstanding residential Land Lease Community development site opportunity within the Wide Bay region. 96 Gorlicks Road, Bundaberg is located within close proximity to a variety of services and lifestyle amenities and benefits from a current approval for 165 Manufactured Homes plus Community Facilities.

Colliers are a large organisation in Australia and Canadian of origin, which deals with many areas of real estate. They have now ventured into the specialised area of promoting large areas of land for sale under land lease opportunities.

This is another organisation that can see large profits in diversifying into the area of residential parks and promoting their sales for the growth in the area of this housing sector. They are a well-established company that would not be following this path if it were not seen as having a viable future.

Another aspect which has not been considered is, that in America there are family parks, and parks which are mixed ages. Going forward this is another housing option for low income families and those that will not be able to buy a home in the mainstream property market.

Many people are choosing to have children at an older age, so therefore it is logical that in time this demographic may buy into these residential parks, even with age restrictions of over 50's as it will become attractive as an alternative to trying to buy in a private market. Therefore, these park owners may find that people with older children or teenagers may move into these parks as the market changes and the baby boomers are gone.

With all of the above data and proof of stability and growth of this housing sector, there is even more reason for the legislation and the government departments that are supposed to be protecting the rights of these homeowners and ensuring that there is fair business practices in place, revisit the present legislation.

There is a real need for this government and the departments, and both CHDE and RSU to reinforce their efforts into looking to the future and how the governing legislation can accommodate the changes that have occurred in the past 5 years in this housing sector and make the amendments required to move it forward.

Protection for these homeowners ensures their viability and security for the future and their financial security, and the legislation must keep pace with the ways this industry has grown and will grow in the future.

It cannot continue to only consider the viability from the perspective of the park owners, there is so much money invested in this housing sector and the government should be more concerned about how much of the profits are actually remaining in Australia and are being declared and used to sustain the future of this industry.

An inquiry into this housing sector is well overdue in how it operates and what areas it needs to have more transparency. **There appears to be no other housing area that shows so little supporting financials and documentation to those that support it and allow it to prosper.**

There must be more accountability by this government department CHDE and RSU and by the park owners and more action by CHDE and RSU in ensuring that breaches by these park owners are taken seriously and they are made more accountable. A slap on the hand and a request to not do it again are not what this office is there for, time for them to step up or step down.

The homeowners need to be protected and to ensure their rights are met by any legislation or actions by the government or the authorities that oversee these residential parks**. The Act is not there to protect the park owners and enforce their rights and profits, it is there to instruct these park owners on how properly conduct themselves in all areas, so the homeowner's rights and future security are ensured**.

It is not up to this department and this legislation to ensure park owners profits or that they manage their business effectively and efficiently. They are responsible for their business management or mismanagement and nothing in this legislation can stop them from failing if they do not make the right choices and put risk management in place.

If any of these parks become unviable then let the Government buy them, because all the above proves it is an investment for printing money and any park owner that cannot make a profit and maintain their parks as viable, means they should not be operating in this housing sector … it will not be the fault of the legislation.

Compiled by Rhonda Cooper

President AMHO July 2022

PART TWO

STAPLES STRUCTURES PROVIDES LARGE PROFITS FOR PARK OWNERS

Corporate Park Owners Stapled Structures

According to Price Water House Cooper, Deloittes, KPMG and Ernst and Young, major Australian accounting firms, Corporations are conducting business operations within Australia and Stapled Structures are used for the sole purpose of legalised taxation minimisation to maximise profits to shareholders. These corporate accounting companies have confirmed that these Corporation accounting taxation activities are fully functioning within all states and territories of Australia.

There are supporting source documents provided by Price Water House Cooper and Deloittes can be produced for supporting notes, that outline in accounting jargon the contents of this submission which this information is drawn from.

Corporations Stapled structures are created when two or more securities are contractually bound together, such that they are not able to be bought or sold separately. Stapled structures may be listed or unlisted.

Stapled structures in their simplest form involve stapling together units in an asset-owning Corporate Trustee Entity with shares in a trading company. The core characteristics of a simple stapled structure are that:

- Investors own shares in the company and units in the trust, neither of which can be traded separately;
- The trust, frequently set up as a managed investment trust (MIT), typically holds the assets and receives rental or finance income, while the company carries out trading operations; and
- Transactions take place between the stapled trust and company. Effectively this is where the land in manufactured home village real estate is owned by Corporate Trustee which is leased to the Operating Business. The transaction or lease of the real estate is how the majority of the profits are transferred to the Corporate Trustee that lodges no tax return with the Australian Taxation Office. This is a legal accounting process and has not been outlawed yet by the Australian Taxation Office.
- Stapled structures may take different legal forms. Some may be contractually stapled using a stapling deed (typically used for listed staples), while others could be created through other types of contractual arrangements ensuring investors only deal with the securities together or are structurally stapled through common ownership or control of a company and related trust.

TAX ADVANTAGES OF STAPLED STRUCTURES

The use of a stapled structure can give rise to various tax advantages to investors compared to investing in the same type of business in a company structure.

Stapled structures enable investors in property/real estate or financial assets to earn additional income from related operating activities, such as management fees, property development or real estate leased back / flow-back revenue, in a separate company, without jeopardising the flow-through tax status of the trust. Therefore, under these conditions No Tax Return is required to be submitted by the Corporate Trustee Entity.

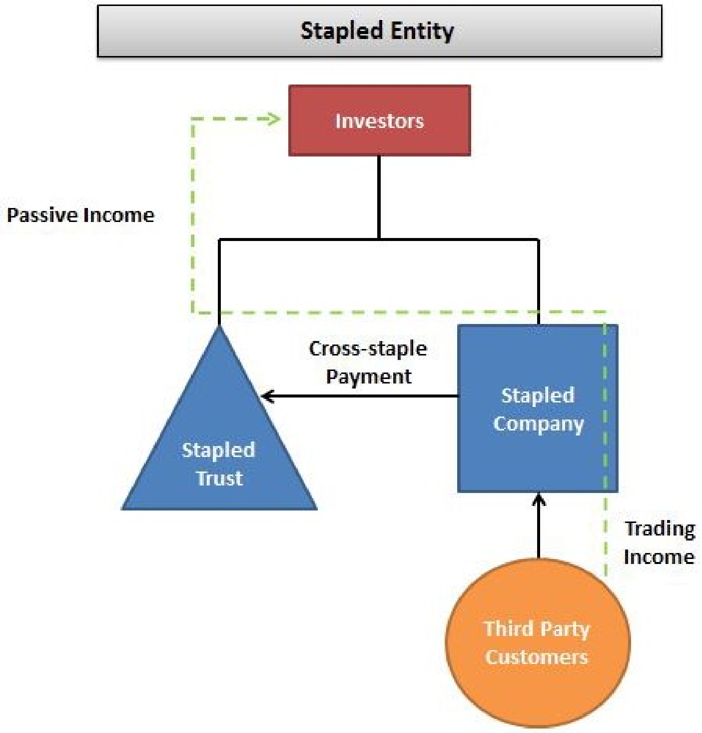
Background

Stapled Structures

- The receipt of tax deferred distributions (cash distributions that are not taxable income because of factors such as accelerated depreciation, leased back real estate flow-ons) from the trust in the stapled structure, typically at the earlier stages of a property or infrastructure project. In contrast, property and infrastructure businesses held in companies may face restrictions on distributing cash to investors. For some domestic investors, this may be a timing benefit only, as resultant cost base adjustments mean the amount is factored into future capital gains or reduced capital losses. However, the full value of capital gains is not always taxed, as certain resident investors may obtain a permanent benefit or non-residents an exemption in some circumstances.
- Foreign investors can access concessional withholding tax rates on distributions under Australia's managed investment trust and royalty or interest withholding tax rules. Under these rules, taxable payments are typically subject to a final withholding rate of 15 per cent or less.

A clear overview is represented in the following figure from Price Water House Cooper where the trading income can be related back to the site rent fees paid by home owners to the Stapled Company / Operating Business on a fortnightly basis as rent income. Home owners are considered to be the third-party customers. The stapled company then legally transfers a cross-staple payment to lease the real estate / land that the manufactured home village is constructed upon to house the home owners purpose built homes and facilities. Thus, the ability to legally transfer 70% of profits under this condition to the Stapled Trust or Corporate Trustee entity who are than able to provide excessive and larger returns to investors as Passive Income. This is how the Corporate Park Owners generate 65% profits, while under no obligation to lodge a tax return. What remains as the operating accounting of the Stapled Company is where tax is paid.

FIGURE 1: STAPLED ENTITY



OTHER COMMERCIAL REASONS FOR STAPLED STRUCTURES

Stapled structures:

- Lower the cost of capital and increase levels of investment by potentially making it easier to attract greater third-party finance investors (as finance for trust assets may be determined on a pre-tax basis) and by lowering the overall tax burden of investors and the stapled business.
- Generate efficiencies or deliver synergies (shared expertise and knowledge) by horizontally integrating several businesses to minimise taxation risks.
- Be preferred by investors who more highly value stapled securities than a similar unstapled structure for larger returns to shareholders.
- Obtain security price benefits from a higher market capitalisation. The ASX market capitalisation is calculated as the total value of the stapled securities on issue.
- This allows the Corporation using stapled structures to reinvest back into the operations conducted in a specific market to provide for future expansion to generate more trading income and a higher profit return to shareholders.

Deloittes findings and recommendations to the Australian Taxation Office

- Stapled structures should therefore be retained to facilitate private investment in infrastructure, build-own-operate-transfer (BOOT) and concession schemes where the property reverts to the State at the end of the arrangement.
- Stapled structures should also be retained to promote the ongoing success of the A-REIT sector and the growth in alternative real estate asset classes vital to Australia's future economic prosperity, including hotels, student accommodation, tourism parks, *manufactured housing estates*, agriculture, multi-family housing, retirement living and aged care.

Hometown America that owns Hometown Australia operating in Queensland, New South Wales, New South Wales and South Australia are operating under Stapled Structures. In 2020 Redgum Coombabah and Ironbark Aspley went through a market rent review of site rents, which were not supposed to forge ahead according to Minister for Housing Mick de Brenni, but suffered them anyway as the Regulation written by the Strategic Policy and Legislation division of the CHDE wrote these Regulations that did not match the Ministers speech inside parliament 21st of May 2020. By engaging their own valuers for Redgum Coombabah and Ironbark Aspley respectively it was uncovered that Hometown Communities are operating Stapled Structures as the land on which the villages are situated are owned by "AG No 11 Pty Ltd as Trustee for the Hammond Village Trust" and "AG No 5 Pty Ltd as Trustee for Aspley Operations Trust".

Deloittes report that the Australian Taxation Office having investigated the consequences of these types of business operations go on to explain that in general terms, a stapled structure refers to an arrangement where two or more entities that are commonly owned by large corporations and are contractually bound together, such that the membership interests held by an investor in the stapled entities cannot be bought or sold separately. Stapled structures first emerged in Australia in the late 1980s, approved by the Federal Liberal Party under Prime Minister John Howard and since that time, have become the preferred model in Australia for diversified property groups and infrastructure projects.

The Managed Investment Trustee withholding tax concessions were introduced to support the Australian funds management industry in attracting mobile foreign capital investment and monetary injection by lowering the withholding tax rate on distributions attributable to payments made to certain foreign investors in an Australian Managed Investment Trustee that was operated or managed by an Australian fund manager.

According to the Australian Taxation Office, the change to the Managed Investment Trustee regime was a key reason driving the use of stapled structures in new ways and in new industries, facilitating the generation of "significant tax advantages for foreign investors that are not available to domestic investors." Highlighting the current extent of the use of stapled structures in the market, the Australian Taxation Office also notes that there is significant potential for growth, with assets worth "hundreds of billions of dollars” remaining on States’ balance sheets which could potentially be privatised into stapled structures in the future operating structures of corporation trading in all states and territories.

Implications and Impact of Stapled Structures Operating in Australian States and Territories

The Manufactured Homes Housing Industry is thriving and increasing across all state and territories throughout Australia. Corporations are presently seeking substantial foreign financial investments ranged in the Billions of dollars as injection into and shares in a housing sector rapidly expending due to high profits return, low taxable thresholds, minimal overhead expenditure that is maximising returns to shareholders.

This is why the following corporations are utilising Stapled Structures as an Australian Taxation Office approved form of operating business operations and are expending at such a rapid pace in the last 5 years to the point that they will, within the next 3 - 5 years completely dominate the manufactured home housing sector.

Hometown who are an American Company now operating in NSW, SA and QLD under Hometown Communities Australia, are buying up independent parks and some that were originally under Gateway. Since 2016 that have taken over 17 in Qld and 54 in Vic and SA.

Ruby Developments, which as Living Gems and Gem Life parks, are continuing to spread and to establish more parks in the future all over Australia, they are financed by overseas backers. Now they are also seeking 1-2 Billion dollars for future investment in this housing sector.

Halcyons have recently been bought out by Stockland’s for over $650 million.(see attachments).

Palm Lake Australian Owned but not sure if overseas financed.

Serenatas have sought and received overseas finance for continuing growth in this market. Building more parks.

Ingenia is expanding its portfolio with more new parks.

Halcyon who is now owned by Stockland. Stockland known for its retirement villages is selling off their portfolio of these villages to has aggressively moved into the market of residential parks and manufactured homes.

Just by these examples, of which the supporting evidence is provided in the Alliance’s Viability Report, there is no issue of viability now or in the future, if these big corporations are able to manage their business in an efficient and competent manner. If their businesses fail it will not be due to changes in legislation but to their own mismanagement. They should all have business plans in place and be able to cover for any contingencies that may occur which is good business practice.

Again, this is not the role of this legislation, or department of Community, Housing and Digital Economy (CHDE) or the Regulatory Services Unit (RSU) to consider or view in any changes to the Act that should be about the protection the home owners who make this housing sector viable as the main source of income.

The future viability of the residential parks rests with them being capable and responsible in their business activities and operations. The facts presented in the Alliance's Response to the CHDE Issues Paper and Survey reinforces that these park owners are making massive profits and that it is on the back of the most vulnerable demographic in Australia.

Price Water House Cooper investigations and assessment of Stapled Structures

The Australian Taxation Office provides some comfort that cross-staple payments which are sourced from underlying rental income by the operating entity ***should not*** attract the higher withholding tax rate, the package notably does not provide further detail or guidance as to the meaning of 'rent.' By taking this stance, this has allowed corporations to continue to operate Stapled Structures while the question of what constitutes rent is still yet to be clarified and imposed upon. This impacts many in the real estate industry including the manufactured home housing sector, shopping centres, student housing, hotel operators to name a few where the operator may not be technically deriving rent, even though the end user is charged for the use of space as rent.

Allowing Stapled Structures to operate in Australia lowers corporate compliance costs, and carves out proposed shelters Managed Investment Trustees from the higher Managed Investment Trustees withholding tax rate where only a 'small proportion' of the gross income is derived from cross-staple payments. The proposal appears to be similar in form to the safe harbours afforded to taxpayers in considering whether they are investing in land primarily for the purpose of deriving rent.

In the absence of further clarity, the questions remain as to the permissible percentage of cross-staple income, whether the test will need to be considered annually, and whether any calculation of proportion will exclude income from capital gains, similar to the safe harbour for the derivation of rent.

Technically at a physical level this means that Corporation Stapled Structures will continue to operate in Australia as a legal means of accounting where the Stapled Trust lodges NO Tax Return until the Australian Taxation Office undertakes a formal ruling as passes laws that outlaw such accounting procedures as illegal business operations.

Conclusion

Given these Manufactured Home Corporate Park Owners also have in place many areas of protection from not paying land tax, GST minimisation protections and the availability of stapled structures for taxation purpose to ensure they reduce their taxation paid under Corporate Trustee entities which do not file a tax return in Australia, holding 70% assets/transfers and another legal entity which the operational business is run through - Capital, Operating Expenses, Profit and Loss taxed at 30% in Australia. Government must turn its attention to the protection of the home owners who are the main income source to ensure their long-term viability – **NOT the Corporate Park Owners.**

Given the corporate park owners with overseas investors are operating under Stapled Structures with Corporate Trustee Entities that lodge NO Tax Return in Australia with the Australian Taxation Office and that approximately 70% of profits on-flows are transferred to these business entities, the viability of these corporate park owners are without question financially buoyant, structurally financially sound. Given they pay no land tax, minimalised GST payments, they are NOT at risk of becoming unviable. Hence the huge expansion plans already underway across the State of Queensland, and Australia in real time.

The Manufactured Home Parks Act was not created

to protect corporate park owners' profits while

allowing avoidance of taxation payable

when operating business activities within Australia

to maximise profits to shareholders.

Compiled by Brad Goodwin,

Senior Government Advisor AMHO August 2022