Diana and John Davison sold their family home at Langwarrin and moved into Lifestyle Casey Fields at Cranbourne. Picture: CHRIS EASTMAN

LISTED PLAYERS

LIFESTYLE COMMUNITIES

Managing director: James Kelly

Business: Builds dedicated manufactured housing estates on new sites. Operates 11 'lifestyle estates' containing close to 2000 homes. Has two more estates and 900 homes in the pipeline

Market Cap	Share price	
$186m	$1.78	↑ 67.3% in 2014

INGENIA COMMUNITIES GROUP

Chief executive: Simon Owen

Business: Diversified provider of seniors accommodation. Increasingly focused manufactured housing estates and has bought 20 caravan parks over past two years. Rolling out a pipeline of 1000 new modular homes.

Market Cap	Share price	
$386m	44.5¢	↓ 15.4% in 2014

NEXT TO FLOAT?

ALCEON

Chief executive: Trent Ottawa

Business: The five-year old private company is one of the biggest modular park operators in the nation with a chain of 24 parks along the eastern seaboard. Tipped to go public.

A new lease on life

Buying a modular home and leasing the site in a purpose-built community is an increasingly popular option for cash-conscious retirees, **John Dagge** discovers

WHEN a series of health issues prompted John and Diana Davison to downsize from their Langwarrin family home, they initially considered buying a smaller stand-alone unit or moving into a traditional retirement village.

Instead, the retired accountant and schoolteacher settled on a portable factory-built home in a manufactured housing estate in Cranbourne, buying the house and securing a 90-year lease over the land.

"We looked at a retirement village but the people there were just too old for us, whereas here there are people who still work," Diana, 70, tells *BusinessDaily*.

"We also looked at building a new unit but the price of land in this area is ridiculous and we would still have to mow the lawn and do the garden and all the things that were becoming an issue for us."

A sense of community, tended gardens and facilities, such as a swimming pool, tennis court and cinema attracted the couple to the estate. They were also able to save a lump sum from the sale of their family home to help cover future retirement expenses.

"We are comfortable with only owning the house — we have a 90-year lease which is more than either of us will need," Diana says.

DEMOGRAPHIC GLACIER

AN ageing population which is living longer, some of the world's most expensive real estate, a desire to free up cash among retiring baby boomers and inadequate superannuation nest eggs are all underpinning demand for affordable seniors accommodation.

The number of Australians aged 65 and over is set to grow at double the rate of the total population to hit seven million by 2048, according to a report assessing the sector's growth potential by stockbrokers Patersons Securities.

Existing seniors housing stock can only accommodate 10 per cent of the 3.3 million Australians presently aged over 65, the report finds.

"Addressing this growth will inevitably create various stresses, but for those with the vision and the capacity to strategically allocate capital, the opportunity to achieve long-term superior returns is present," analyst Martyn Jacobs concludes.

It's a demographic glacier which has not gone unnoticed.

A growing number of companies are rolling out low-cost manufactured housing under land-lease arrangements, often taking over traditional caravan parks in the process.

Residents own their homes — built offsite and trucked in — and gain a long-term lease over the land.

They also pay a site fee to cover resort-style communal facilities, providing investors with a constant and predictable income stream.

Because the homes are technically portable, residents often qualify for federal government rental assistance extended to caravan park residents, helping to cover site costs.

While the sector is overwhelmingly made up of small private operators, a number of listed companies have emerged. It's also attracting the interest of international property giants.

America's $96 billion Blackstone Group took a stake in the privately owned National Lifestyle Villages in November. National operates 10 manufactured retirement villages throughout Western Australia.

It's assumed baby boomers have all the money but it's tied up in their house. They are looking to downsize and free up money

LIFESTYLE COMMUNITIES' JAMES KELLY

CASHING IN

ONE of the nation's fastest growing companies in the space is ASX-listed Ingenia Communities.

It owns close to 60 seniors communities containing 4500 properties and has a development pipeline of 1000 new homes.

Over the past two years Ingenia has snapped up 20 caravan parks along the east coast and fitted them with modular homes.

"The largest, fastest growing and least competitive segment of the Australian seniors accommodation market is the affordable living segment," Ingenia chief Simon Owen says.

"With us, residents can sell their home, buy a new home for 60 or 70 per cent of what they got for their old home and use that cash and the pension to cover a stable retirement."

Mr Owen said the business was attractive to investors as the rents provided them with a stable yield.

Listed rival Melbourne-based Lifestyle Communities operates 11 retirement estates throughout Victoria containing close to 2000 homes.

The company is funded to start a new community every 12 to 18 months and plans to roll out another 900 new homes.

Lifestyle focuses on greenfield development — building new communities from scratch — rather than taking over caravan parks.

Most residents are 65 to 70 and receive the age pension. Half are single females and 45 per cent are couples.

"The baby boomers are coming through and there is very little in the way of affordable housing for them," Lifestyle Communities managing director James Kelly says.

"It's assumed baby boomers have all the money but it's tied up in their house. They are looking to downsize and free up their money. Most of our residents are debt free."

FUTURE CHALLENGES

WHILE the sector's growth potential is clear, it remains in its infancy and is not without its risks for would-be investors.

The business model is based on manufactured housing estates being treated under the Residential Tenancies Act rather than the far more complicated Retirement Village Act.

The Patersons report points out that growth in the sector could prompt traditional retirement village operators to lobby government to bring both under the same red tape burden or limit the amount of rental assistance available to caravan park residents.

Product perception is also a challenge.

Colliers analyst Shane Nicholson points out the sector still has a lot of work to do in educating the public about its product as well as breaking down negative stereotypes linked to rundown US-style trailer parks.

"These are far from your *8 Mile* Eminem-style park," he says.

"They are very different places but there is a certain shift in perception that probably needs to take place and a lot of that needs to happen at a council level."

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