Shedding light on Manufactured Home Estates

Manufactured Home Estates are relatively new to Australia, but they're growing in popularity and have been touted as the 'next big thing' in real estate. But how do they stack up as an investment option?

MANUFACTURED Home Estates (MHEs) are essentially relocatable, prefabricated dwellings situated in designated estates. Increasingly they are gaining ground as a simple, affordable housing choice for a permanent home.

MHEs are particularly popular among the over-50s downsizer demographic, touted as an alternative to traditional retirement villages with their complicated rules and fees. However, there are distinct disadvantages that are worth taking into account.

Selling a dwelling in an MHE can be more difficult than selling a traditional home, as there is a small niche market of potential buyers, and there will be ongoing site fees for the potential buyer to pay. Given that the average MHE purchaser is an older Australian, it's likely that it will be their family who are left to deal with the added hassle of offloading the home should they pass away or require residential care in a nursing home, which could complicate matters at an already taxing time.

With the number of Australians in this age bracket expected to increase over the coming decade – forecasts estimate there will be almost 10 million over-50s in the country by 2026 – some investors are speculating about the possibility of adding a Manufactured Home to their property portfolio.

OUR EXPERT

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At first glance, MHEs might seem like an interesting opportunity for investors. You'll have a long-term tenant with a secure income stream from their superannuation or pension enabling them to pay the rent, and there will likely be plenty of amenities in the area to help you attract a tenant.

Comparing apples with oranges

The price tag on these types of properties seems quite enticing, with most Manufactured Homes going for less than $350,000 and many priced at less than half of that – a fraction of the price of a home in Melbourne or Sydney.

However, it's imperative to remember that this investment doesn't include the land. As an investor you will need to pay the landowner rent for your property land use and ancillary services, which should be factored into the rent you charge your tenant. This may make the true cost of a Manufactured Home on par with a suburban property in many cases.

Another factor for investors to consider is that obtaining finance for this asset class could prove much more difficult than for a traditional investment property, particularly in the wake of the recent lending crackdowns.

This could be a major barrier for those looking at purchasing one as an investment, and again could create complications if you decide to sell, as your resale market is almost limited to cash buyers.

While there is a market out there for MHEs, it is currently very small, just like any niche property type. This limits your resale value and pool of buyers, and with the investment potential of these dwellings still an unknown quantity, investing in MHEs could be a risky move.

Investors may be better advised to look into proven investment strategies that have stood the test of time. If affordability is the aim of the game, there are still plenty of locations around Australia that won't stretch the finances but also offer long-term capital growth – something I'm not convinced that MREs can achieve. YIP

> Selling an MHE can be more difficult than selling a traditional dwelling, as there is a small niche market of potential buyers

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