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Corval Conversations Q&A

Eddie Underwood | Fund Manager

Eddie joined Corval in 2024 and is responsible for managing Corval's living-sector strategies, including the Corval Manufactured Housing Estate (MHE) Fund and Corval's retirement living partnership with Kado Group. He works closely with operating partners to manage existing portfolios and oversee capital management, funding and investment strategy across the land lease and retirement living sectors.

Prior to joining Corval, Eddie held key roles at Lincoln Place, a leading land lease operator, serving as both Capital Transactions Manager and Assistant Fund Manager. In these roles, he played a pivotal part in identifying and securing new investment opportunities for the portfolio, while also supporting the strategic management of multiple single-asset funds on behalf of high-net wealth investors. Before Lincoln Place, Eddie worked as an Investment Analyst at Region Group, a listed manager of convenience-based retail properties, and as a Senior Associate at Macquarie Bank.

Q1) You manage Corval's MHE Fund, which focuses on the land lease sector. For those less familiar with the asset class, what makes land lease communities such an attractive opportunity?

Land lease communities (LLC) or manufactured housing estates (MHE) are attractive for several reasons. From an investment perspective, the model combines characteristics that are increasingly difficult to find in a single asset class: an annuity income stream underpinned by residential demand, the ability to create value through a project's development and the subsequent stabilisation of site-fee income.

Once established, a stabilised community benefits from 100% occupancy providing predictable recurring income for investors. Site fees are subject to periodic increases generally by reference to CPI that helps provide a degree of inflation protection.

The model also provides an attractive proposition for residents. Tailored primarily for over-55s downsizers, residents typically purchase and retain ownership of their home while leasing the underlying land (hence land lease), which can reduce the upfront cost compared with purchasing a comparable house-and-land package. LLC is also exempt from conventional transaction costs such as stamp duty and, subject to means testing, residents may also receive Commonwealth Rent Assistance toward their site fees, further supporting the financial decision for the resident.

Unlike the traditional retirement-living model, most land lease communities don't rely on deferred management fee structures or shares in capital gains. This provides residents with greater transparency over their ownership economics, while allowing the operator to generate returns through development margins and recurring site-fee income.

Lastly, from a developer's perspective, the staged delivery of a community also provides a significant capital-management benefit. As homes are sold and settled, proceeds can be recycled into later stages, freeing up capital for other uses.

The opportunity is therefore not simply demographic. The best communities are effectively purpose-built neighbourhoods and require the right location, quality homes, meaningful amenity and a service model that residents trust. When those elements come together, land lease can deliver a compelling outcome for residents and a durable, income-producing asset for investors.

Q2) Land lease has been marketed to investors as a development story. As portfolios mature, is it quietly becoming a credit story?

Yes, and I would argue the sector has not fully caught up with that. A land lease community effectively has two financial lives. During development it behaves much like a residential project. Capital is required to fund civil works, infrastructure, community facilities and home construction against a forecast sales rate. Once stabilised, it behaves more like infrastructure as the assets financial characteristics change considerably. It begins to resemble a long-duration residential income asset, with recurring site fees, high and relatively resilient occupancy (generally 100%), operating margins achieving 60–70%, and contractual fee increases that are inflation linked. Those are very different risks, and they deserve different views from a capital perspective.

As with all greenfield development projects there is a considerable level of risk at the front end of a project. Planning approval is only the first hurdle. Once construction begins, the project remains exposed to a plethora of risks; latent ground conditions, servicing connectivity, contractor availability (especially given some of the locations that land lease operates), cost escalation and delivery delays. As it rolls into its sales campaign, it then navigates the sales and settlement risk: Are homes priced according to the local market? What is the LLC competitor landscape like? Then obviously, the ever-increasing risk of the broader macro environment and how interest rates, geopolitical tensions, government policy, etc, will impact the buyers.

The second financial life of a land lease is its pure operational component. Once established, returns are driven by stable, growing site-fee income and efficient asset operations. In the transactions space, more passive long-hold institutional capital such as superannuation funds are entering the sector, attracted by relatively derisked cash flows and experienced operating partners.

Over time, I believe there will be a clearer separation between the capital funding the development aspect of land lease and the capital owning stabilised communities. Higher risk capital may fund projects through planning, construction and initial sell-down, before being refinanced by lower risk capital seeking more predictable cash flow and less development exposure.

We are already seeing greater use of joint ventures and capital partnerships across the sector. As portfolios mature and the pool of operating income expands, I expect that distinction to become more pronounced. Land lease will remain a development story, but it will increasingly also become a capital-management and income story.

Q3) Land lease today is a predominantly single-storey, broadacre product. Is vertical or metro land lease a real next frontier, or just an attractive theory?

I think when we talk about land lease today, we address two forms: Generation One and Generation Two.
Land lease, in its initial form was the evolution of the caravan park, which is now commonly referred to as first generation land lease. These communities are generally older, repurposed caravan parks, and may include a mix of permanent and short-stay accommodation and often provide fewer amenities than the communities being developed today.

The second generation is the modern, purpose-built land lease community. These projects are designed specifically with the land lease model in mind and have shifted the resident proposition beyond the original core principle of providing basic housing, typically offering higher-quality homes, extensive communal facilities and a lifestyle-led experience. Vertical or higher-density land lease I believe, sits outside Generation One or Two land lease.

Although still an emerging concept, vertical land lease is best viewed as the third generation of the model. Broadly speaking, the traditional LLC model has relied on larger, relatively affordable parcels on the outskirts of metropolitan areas or in regional markets. As land becomes scarcer and more expensive, particularly in the locations where the land lease model is most compelling, the sector will need to consider alternatives to the conventional broadacre community model.

Although some operators are exploring vertical opportunities, current land lease legislation is holding back most LLC players. With significant legal, operational and planning questions to resolve, it is unlikely to replace the current model in the near term. However, the core concept remains compelling: separating ownership of the dwelling from the underlying land (ie. title) does not, in my view, require a detached home.

Currently, and depending on which state you are in, land lease homes are required to be physically movable to a certain extent. Applying that concept to a vertical building is difficult. A unit in a structurally integrated apartment building cannot be removed without compromising the remainder of the building. Given current construction costs, designing individually removable units, would be significantly more expensive. I think everyone is waiting for the first mover to bear the costs of pioneering, so the second-mover can ride a substantially de-risked path.

However, in my opinion, it shouldn't be whether we can build a vertical development with individually removable units. Rather, the focus should be on whether the legislative framework should continue to make physical moveability a fundamental requirement to the model. Much of the framework still reflects the sector's origins in caravan and residential parks and has not evolved at the same pace as the product itself. Reform is fundamental for the broader sector to scale.

Vertical land lease is a credible longer-term frontier but is unlikely to replace the traditional community model in the near term. The more immediate opportunity is broader reform that allows land lease to operate across a wider range of locations, densities and housing formats.

If vertical communities emerge from that reform, they could provide an additional source of housing supply in markets where the broadacre model is becoming increasingly difficult to deliver, assisting Australia's supply constrained housing market.

Q4) Looking ahead, what excites you most about the future of the land lease sector and where do you see the greatest opportunities for growth over the next five to ten years?
There are four areas I'm most excited about: finessing of generation two, big bank lending, vertical land lease and all-age communities. Whether all four ultimately work is another question, but I think they show how much room the sector still has to evolve.

At the moment, the bulk of the market sits in the standard product range. On either side of this bracket you've got the more affordable communities, generally weighted towards older Gen One stock, and on the other side you've got the premium / ultra-premium product, which I truly think is still being worked out by the market.

As the Fund's operating partner Vivacity plays at the premium end of the market I'll speak specifically to that. I find this end of the sector particularly interesting because there's a real balancing act. Better homes and more amenity can support stronger pricing and help drive sales, but at some point that amenity starts to weigh on the operating performance of the asset. Multiple pools, larger clubhouses, more landscaping and additional staff all cost money to run.

At a 5% cap rate, every $100,000 saved in annual operating costs adds $2,000,000 to the value of the asset. Given these communities can achieved $1m+ in net operating profit in a year, every dollar saved (or added) to the bottom line has a 20-fold impact to the valuation, So, with the investing hat on, the challenge is working out how to create enough amenity to support higher home sales and higher sales velocity without overcapitalising or compromising the value of the stabilised community. I think that is something every operator is still trying to get right.

Mortgage lending is another interesting area that I'm keen to follow over the next few years. The current model really only works for downsizers that have significant equity in their principal place of residence. Given a land lease home must be 100% equity funded, they are mainly accessible to older buyers with little or no mortgage debt and significant housing equity. Without mainstream mortgage finance, they are generally out of reach for younger buyers and those who have not built up the same level of wealth.

If the lending market can develop a scalable product for land lease homes, I think that could materially expand the sectors' offering. This then feeds into the all-age opportunity. The underlying model of owning the home and leasing the land does not necessarily need to be limited to retirees. It could provide a more affordable alternative for younger households who have been priced out of conventional home ownership and are happy to pay a lower entry price with an additional weekly rent cost.

That said, all-age communities would need to be designed and operated differently. You cannot simply take the current model and sell it to younger people. The homes, amenity, transport, services and overall community offering would all need to reflect a different resident group, including potentially circling back to the conversation on vertical land lease.

Ultimately, what excites me most is that land lease still feels relatively early in its evolution. It is currently seen mainly as a retirement and downsizing product, but the structure itself has much broader potential. The opportunity over the next five to ten years is not just to build more of the same. It is to rethink where the model can work, evaluate legislation, who it can serve and how residents can fund their homes.

Q5) You also manage Corval's retirement living fund which is a partnership with the Kado Group, targeted at residents who are looking for ultra boutique, wellness-driven retirement living. Can you tell us what attracted you to the thematics and what differentiates Kado from the general retirement living market?

What attracted us was the broader thematic of retirement living; ageing population, increasing net wealth in retirement and the lack of high-quality supply.

We see a growing disconnect between what people approaching retirement increasingly want and what the traditional retirement living market has historically offered.

The incoming resident to a retirement community today is generally more active, more design-conscious and more focused on maintaining their independence, social connections and existing lifestyle. They are not necessarily looking for a large, conventional retirement village. They are looking for a place in their latter stages that offers comfort and security, and in a smaller community that feels like a natural extension of the way they already live. These are residents that prefer living in a sub-30 lot apartment building rather than a 300-home broadacre village.

The Kado model is deliberately boutique, with the projects typically targeting circa 30 units each in established, highly desirable retirement destinations, but putting meticulous emphasis on architecture, wellness, security and quality. If I can borrow from Mark Bindon at Kado, anyone can put in marble benchtops and travertine tiles and call it premium, equally, anyone can put in a sauna and steam room and consider it a 'wellness offering'. The real difference that Kado offers is creating a genuine sense of quality and pairing that with a wellness offering that is science-backed and integrated into the way residents live.

From an investment perspective, we also like that the model is targeting an increasingly discerning and, in our view, under-served segment of the market. There is a significant cohort of homeowners with substantial wealth across their family home, superannuation and other investments who are willing to pay for a premium product, but who have historically had limited options between remaining in an unsuitable family home and moving into a more conventional retirement village.

You are effectively looking at the next generation of retirement living residents: Baby Boomers who have the equity and do not want to compromise on how or where they live.

Q6) Given that the Kado product sits at the upper end of the pricing spectrum and increasingly competes with luxury apartment developers rather than with other retirement villages, why would a purchaser choose a Kado residence over a luxury apartment at the same price?
Putting yourself in the buyer's shoes, they are not necessarily comparing a Kado residence with the retirement village down the road. They are more likely comparing it with the best luxury apartment they could buy in that location, but also asking which option is better suited to the stage of life they are entering.

That is where the decision-making starts to look quite different. A Kado resident is looking for quality, but they are also looking for peace of mind, security, like-minded neighbours and amenity that has been designed specifically for their demographic. They also want to avoid some of the features of a conventional apartment building, such as short-term rentals, neighbours with families (keeping in mind that the Retirement Village Act only permits two people to reside in a unit) or facilities that are not particularly catered to them.

So yes, Kado will compete directly with luxury apartment developers on price, but the reasons a buyer chooses the product are fundamentally different. It is not just about the apartment itself; it is about the broader environment, the community and how the residence supports the next stage of their life.

There is no doubt the product sits at the upper end of the market and will not be for everyone, but that is also part of the proposition. The target resident has generally built substantial wealth over their lifetime and is less focused on finding the cheapest option but more on finding the right one. They do not want to compromise on design, security, wellness or the way they live simply because they are moving to something with greater accessibility to allow aging in place.

I think that is where high-end retirement living is heading. The next generation of residents will expect the same level of design and quality they have experienced in other parts of their lives, but with an offering that is more considered around wellness, community and ageing well.

As sustainability considerations continue to reshape the property sector, Corval remains focused on creating resilient, competitive assets that deliver long-term commercial outcomes. Whether through asset recycling, electrification initiatives or active tenant engagement, the firm's approach is grounded in the belief that it is a temporary custodian of both capital and property assets, with a responsibility to leave them in a stronger position for the future.

This edition of Corval Conversations, featuring Eddie Underwood, highlights how sustainability, asset management and investment performance are increasingly interconnected, with future editions set to showcase perspectives and expertise from across the broader Corval team.

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