Grant Thornton

Residential care, home care, retirement living, and land lease communities

…emerging risks in New Zealand…

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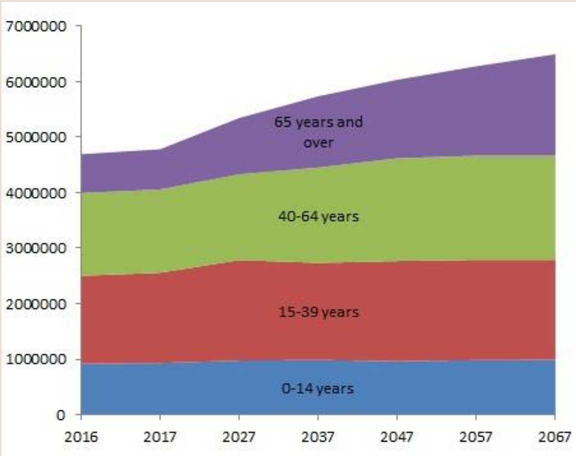
Context

Drivers of change
- an ageing population

Context - New Zealand ageing population
- you know this

NZ Population growth



The graph shows the comparison of age groups in the next 50 years.

https://www.superseniors.msd.govt.nz/about-superseniors/media/key-statistics.html

Charting Change

This is NOT A BULGE that will pass with time. This will be the NEW NORMAL.

Significant changes in the age structure of the population will continue

Population ageing is not caused by the baby boomers, but by the transition to lower birth rates and lower death rates

It's projected 22 per cent of our population will be 65-plus in 2036, while 25 per cent will be 65-plus in 2056.

The numbers

The number of people aged 65 and over is increasing

Those aged 65 years and older will roughly double, from 711,200 in 2016 to between 1.3 and 1.5 million in 2046, or **23 per cent** of the total population, **up from 12 per cent** in 2016.

so is the number aged over 80

At the end of 2016, 169,000 people were aged 80+. That number is projected to climb to 392,800 by 2036, it's an increase of **132.4 per cent**

The 95-plus numbers are increasing.

At the end of 2016, 5,800 people were aged 95-plus. By 2036, it's projected the number will rise to 14,500. It's an increase of **150 per cent.** By 2056, the number will climb to 42,400 aged 95-plus. That's **a 631% increase** from 2016.

Australian Aged Care state of play… … insights for NZ

Australian Federal Budget – some of the numbers (May 21)

$7.8b
RAC
5 Pillar Aged Care Reform Plan

$3.9b
RAC
Increase the amount of frontline care

$3.2b
RAC
$10 prpd basic daily living fee

$366m
RAC
Resident access to health services

$942m
ACQSC
Increase quality and safety

$279m
RAC
extend temporary viability supports

$189m
RAC
Implement AN-ACC

$17.7b
Over five years

Total cost $119b over five

$652m
RAC HCP
Workforce boost

$301m
ACQSC
Beef up services

$7.4b
HCP
5 Pillar Aged Care Reform Plan

$6.5b
HCP
80,000 new packages

$275m
HCP
Supporting seniors to navigate the system

$228m
RAC HCP
Single aged care assessment workforce

$200m
ACQSC
Star rating system

$27m
New ACT
Development of a new aged care act

Increasing regulation in Australia

NOW	THE FUTURE
Aged Care Visits by ACQSC	Aged Care Visits by ACQSC
600	1,500
Staff (30 June 2020)	Staff (30 June 2022)
519 headcount	1,000 (+ 480)

Commissioner Briggs (RQACQS)

Aged care royal commissioner Lynelle Briggs said she was pleased to see the government had accepted the majority of the recommendations in their final report and committed an additional $17.7 billion over five years.

“That’s a lot of money in anyone’s terms, but it’s still not enough money to do the job properly in order to fix the system’s problems comprehensively so that all Australians have got confidence in the system,” Ms Briggs told the Aged and Community Services Australia National Online Summit on Wednesday.

“Older people’s interest should be paramount. ***It shouldn’t matter if a proposed reform will make life harder for service providers. If it benefits people receiving care, it should be supported,***” Ms Briggs said.

Commissioner Andersen (ACQSC)

“I am not your friend”

Opening remarks at the LASA National Congress Nov 2019.

80k HCP – Where will the labour come from

Significant opportunity exists to increase home care services, however labour supply is a current barrier for all service providers.

… and we may be coming after your nurses …

FEDERAL BUDGET IMPACTS ON HOME CARE 2021-2022 LABOUR ANALYSIS BY OCCUPATION		Australia FTE 2021-2022	Australia Headcount 2021-2022
Number of home care packages in Australia over two years		80,000	80,000
ANALYSIS BY OCCUPATION			
Home care Program		107,546	194,673
Direct care workers	62.3%	67,025	121,324
Indirect care workers	37.7%	40,521	73,349
		107,546	194,673
Direct care workers			
- NP + RN	8.1%	**5,443**	**9,853**
- EN	2.2%	1,464	2,649
- PCA	83.8%	56,197	101,725
- AH + AHA	5.8%	3,920	7,096
		-	-
		67,025	121,324
Indirect care workers (FTE) NSW			
- care manager / co-ordinator	29.8%	12,075	21,858
- management	25.6%	10,373	18,777
- administration	37.0%	14,993	27,139
- spiritual / pastoral care	0.5%	203	367
- ancillary care	7.1%	2,877	5,208
- variance		-	-
		40,521	73,349
		107,546	194,673
TRAINING PLACES FOR CARERS			
share of 33k training places			33,000

Australian Aged Care

- Emerging issues for consideration in NZ

- Increased funding will come with ***increased scrutiny*** and higher compliance requirements
- As the population ages, aged care services will be challenged with ***increased acuity*** of consumers requiring home care or residential services
- Where will the ***labour*** come from to support the elderly, and in particular nurses
- How long will it be before there is ***similar scrutiny*** applied to the NZ setting, if so why?

Retirement living

What do residents get in an RV

Retirement village living addresses the five risks that may be encountered by older people by:

- ✓ Providing a community of likeminded people who know each other and provide social support through village activities and informal connections;
- ✓ Designing a built environment that removes the physical risks associated with ageing and maintains gardens and pathways that are safe;
- ✓ Monitoring the condition of residents through formal and informal engagements, to ensure that they remain hydrated, eat well and take medications; and
- ✓ Establishing a safe and secure community that enjoys structured security services and the support of the other residents.
- ✓ An added benefit of retirement village life is that the external environment is fully maintained by the provider, limiting the opportunity for scammers to commit fraud on home maintenance.

Social isolation
Seniors remaining in family homes often experience an increase in social isolation. Neighbours move on and are replaced by 'new' families who enjoy an active working life. This reduces the presence of people for the elderly to engage with. Social isolation leads to increases in anxiety and depression and other health concerns. Depression is often a precursor to falls in older people.

Physical limitations
Seniors begin to experience problems with movement and balance. Family homes often have many stairs, carpets and loose rugs, or furniture that increases the risk of falls as a person becomes increasingly frail. A precursor to entry into residential aged care is often a fall or injury at home that requires some hospitalisation and results in the person being unable to remain in the family home. Mobility continues to deteriorate, creating a cyclical exposure to the risk of falls and hospitalisation.

Personal care
It is not unusual for older people to begin to neglect themselves. This manifests in several ways such as a failure to pay bills, lack of cleanliness, inappropriate dressing and poor hygiene. Nutrition can also decline resulting in mild to moderate malnutrition and dehydration.

Health risks
Health risks develop as a result of seniors not taking medications consistently, if at all, and avoiding medical attention for the onset of chronic and more serious disease. Social isolation contributes to this, as does deteriorating memory, depression and anxiety.

Exposure to criminal activity
Seniors are subject to a range of criminal risks, to both their personal safety and their financial security. Personal safety risks include elder abuse and domestic violence, while fraudsters, scammers and theft pose threats to an older person's financial security and emotional wellbeing.

Recent Australian Reforms

Victoria

In September 2017, the Victorian Government supported a review of the Retirement Villages Act 1986 (RV Act). This was in response to a Parliamentary Inquiry.

The RV Act **covers contractual arrangements** between retirement village operators and their residents.

As part of the review, we invited the public to have their say in how the RV Act can better serve retirement village residents, as well as owners and operators. We want to see how the RV Act can better protect consumers, while also facilitating sector growth and innovation.

Queensland

The Housing Legislation (Building Better Futures) Amendment Act 2017 was passed by Parliament on 25 October 2017 This legislation amended the Retirement Villages Act 1999.

These changes included a requirement for retirement village **operators to pay former residents their exit entitlement 18 months after the resident permanently leaves a village,** unless doing so would cause the operator undue financial hardship.

The changes also included a requirement for a review of this maximum timeframe to start no later than 2 years after the commencement of the changes.

The Health and Other Legislation Amendment Act 2019 subsequently amended the RV Act to ensure that this policy also applied to retirement village units held by former residents under freehold title.

South Australia

We are reviewing the South Australian Retirement Villages Act 2016 and are seeking community feedback to find out whether it meets its intended objectives or if legislative changes should be considered.

The Act's intended objectives include:

- clarifying the **rights and responsibilities of both operators and residents**,
- enhancing information disclosure requirements,
- providing tighter definitions, and
- ensuring improved consumer protections.

The review includes aspects related to the four key components of retirement villages:

- Considerations before someone moves into a village
- Living in a village
- Leaving a village
- Miscellaneous matters

Recent Australian Reforms

Western Australia

Reforms proposed include proposals to:

- **address consumer misunderstanding** of the retirement village product and price structure by way of advertising requirements, clarifying definitions in the legislation, and improving pricing information;
- improve the financial situation of departing residents, including a **proposed time limit for the payment of exit entitlements**, extending the cap on payment of recurrent charges to strata title residents, and addressing refurbishment obligations;
- introduce mandatory reserve funds in retirement villages to ensure provision is made for ongoing capital works;
- improve clarity and transparency around **village operating budgets** and the use of resident funds for capital works;
- impose certain standards for the conduct of operators and residents in retirement villages.

21 July 2021

South Australia

The State Government is undertaking a review of the Retirement Villages Act 2016 (the Act) and is seeking feedback on whether it meets its intended objectives.

The review includes aspects related to the four key components of retirement villages:

- Considerations before someone moves into a village
- Living in a village
- Leaving a village
- Miscellaneous matters.

11th March 2021

New South Wales

The NSW Government has forced through changes to the Retirement Village Act 1999 that introduce six-month buybacks for villages in metropolitan areas and 12 months in regional areas.

Under the reforms, operators are now **required to pay exit entitlements to residents** if a unit remains unsold after six months in metropolitan areas or 12 months in the regions, residents will be eligible to receive their exit entitlements if they have not taken reasonable steps to facilitate a sale.

Operators will also have to cover a portion of the estimated sale price **for residents entering residential care directly** to their aged care provider so residents who can't sell their home quickly can still pay a residential accommodation fees with a 42-day cap also placed on the payment of recurrent charges for general services.

17th November, 2020

Reform approaching in NZ

Government review


Te Ara Ahunga Ora | Commission for Financial Capability

WHITE PAPER

RETIREMENT VILLAGES LEGISLATIVE FRAMEWORK: ASSESSMENT AND OPTIONS FOR CHANGE 2020

Why ? - The purpose of this paper

This project is pursuant to the Retirement Commissioner's obligations under section 36 of the Retirement Villages Act 2003.

The Retirement Commissioner (RC) is required to monitor the effects of the Retirement Villages Act 2003, its Regulations and the Retirement Villages Code of Practice 2008. Collectively we refer to this as 'the framework'.

Who is impacted

There are a number of parties affected by the statutory and operating framework that was established two decades ago.

These include operators, supervisors, trustees, residents and their families, government agencies, and Ministers.

Options

1. Maintain the status quo
2. Approve a code variation to add some consumer protections
3. Conduct a regulatory systems assessment
4. Conduct a policy framework review

An Australian perspective

1. What problem are we trying to solve?
2. What issues are being experienced that initiate a mood for improvement ?
3. What role can the industry play in addressing this without government intervention ?

Land lease communities

Land lease communities

Increased yields see interest by international investors and listed property players

The AFR November 2020

"We believe our lower cap rate (high valuation) for quality portfolio RLLC assets is justified based on ... the continued evolution of the RLLC sector into an investment grade REIT sub-sector in Australia, the decline in bond yields to record lows and the entry of international corporates and investors into the market," Mr Peet wrote in a research note published earlier this month.

The sector offers a way to provide housing for the generation of downsizing lower-income Australians who own their home but do not have other resources to fall back on. It has been gaining attention from investors and rivals alike.

Last year, Singaporean sovereign wealth fund GIC acquired private equity-backed operator National Lifestyle Villages, and Hometown America beat out Brookfield with a $685 million-bid for Gateway Lifestyle.

Residential giant Stockland said it would enter the sector after finding its traditional retirement living product struggled to compete with the more affordable version, which also benefits from Commonwealth Rental Assistance subsidies, in price-sensitive growth corridors. The company has earmarked 10 sites for new communities, totalling 2000 homes.

Increasing consumer scrutiny …

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. Hence the popularity and the corporatisation of the Land Lease Communities ('LLC') sector (formerly Manufactured Housing Estates – MHE) has risen significantly in recent years.

As a result, assessing and valuing the sector has some particular nuances. The Land Lease Community Rating System (LLCRS) creates a simple but effective view of a Community and allows a comprehensive understanding of how it should perform in the market compared with its competition.

Utilising the LLCRS ensures a consistent approach and provides a nexus between the analysis of market transactions and the application of appropriate valuation methods.

Colliers International
Land Lease Community Rating System

CATEGORY	★★★★★ Class A EXCELLENT	★★★★ Class B GOOD	★★★ Class C AVERAGE	★★ Class D FAIR
LOCATION	Major metropolitan area or strong coastal locality	Secondary metropolitan area or major regional centre	Smaller regional area	Remote regional
DENSITY	<27 sites per hectare	27 to 29 sites per hectare	29 to 31 sites per hectare	>31 sites per hectare
SIZE	>125 sites	100 to 124 sites	75 to 99 sites	<75 sites
AMENITIES	On-site managers, clubhouse, bowling green, swimming pool	On-site managers, clubhouse, swimming pool	On-site managers, clubhouse	Clubhouse
HOME MIX	100% manufactured homes	90% manufactured homes / 10% van / annexe	80% manufactured homes / 20% van / annexe	<80% manufactured homes / >20% van / annexe
AGE/CONDITION	Recent construction, well maintained, no capex required, clean	Aging improvements, well maintained, recurring maintenance, clean	Older construction, fair maintenance, potential for costly repairs	Old / outdated construction, minimal maintenance, high risk of repair, neglected
QUALITY (homes)	Excellent (slab on ground construction)	Good to excellent (slab / pier construction)	Average to good (pier construction)	Average (pier construction and van / annexe homes)
COMPETITION	Little to no direct competition (at price point and offering) within catchment area	Some level of competition (at price point and offering) within catchment area	Saturated market with a number of LLCs within catchment area	Highly saturated market with a number of LLCs within catchment area
NET OPERATING PROFIT PER SITE	>$6,500	$5,500 - $6,499	$4,500 - $5,499	<$4,500

https://www.colliers.com.au/en-au/research/land-lease-community-rating-system

Why seniors are rushing to Land Lease Communities - NZ Readers Digest

If you are thinking about moving into a Land Lease community, it is important that you are well informed as to how the financial arrangements work, particularly when compared with other types of retirement communities, such as traditional retirement villages.

Offering favourable lifestyle benefits and a more transparent financial model, Land Lease Communities are increasingly popular – particularly for more younger retirees.

Here you'll find eight compelling financial reasons for considering the move to Land Lease Community living:

1. **No entrance fees**. Apart from the cost of the home itself, incoming residents are not required to pay any entrance fees whatsoever.

2. **No stamp duty**. The purchase of a home in a Land Lease community does not attract stamp duty, so you benefit from a substantial saving of thousands of dollars.

3. **No exit fees.** Most Land Lease communities charge no exit fees, departure fees or deferred management fees if you decide to move out. This is very different from traditional Retirement Villages where it is common to charge an Exit Fee or Deferred Management fee of up to 40 per cent of the value of your home.

4. **No council rates**. In a Land Lease Community, you purchase and own your home, but you lease the land it sits on from the operator, removing any requirement to pay rates.

5. **You keep any capital gain**. Your home is your own in a Land Lease community, and therefore any capital gains you make upon an exit remain yours. The arrangement is simple – you keep 100 per cent of the proceeds from a sale. Retirement Villages however, may keep a percentage of any capital gains, thereby reducing the amount that you get back when you sell.

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6. **Affordable Price Point.** As residents can enjoy living on the land without having to purchase it, this allows for a more affordable entry price point. The only upfront cost is the purchase price of your home, which you own outright. This means that many new Land Lease homeowners are able to free up a significant amount of equity from the sale of their old family home.

7. **Government Rent Assistance**. Many residents in Land Lease communities are able to access government rent assistance to cover a large portion of the weekly rent that is payable to the operator. Currently this sits at $67.60 per week for couples and $63.50 per week for singles.

8. **Better Value.** The benefits of all these mean that you as a homeowner in a Land Lease community, will enjoy unlimited access to resort style facilities (such as swimming pools, bowling greens and tennis courts) with financially easier arrangements.

It also gives you the opportunity, if you wish, to enjoy this relaxed lifestyle with a group of similarly active and like-minded friends.

https://www.readersdigest.co.nz/true-stories-lifestyle/why-seniors-are-rushing-land-lease-communities

Health and Aged Care expertise

Our society is throwing up fresh challenges for the players of the health and aged care sector. Already under steadily increasing pressure from the aging population, the sector is feeling the impacts of system reforms, relentless cost pressures, the pandemic and other changes. Consumers have higher expectations and greater choice of providers, services and pricing models, forcing organisations to compete in new ways. The operators who thrive will be those who are able to create new business models, realise operational efficiencies and stay one step ahead of their competitors. Change also brings great opportunity and an exciting future to look forward to. Our national team of Health and Aged Care specialists partner with clients on their growth journey and help them to navigate the complexity of change.

Industry participation

Through our significant involvement in the Health and Aged Care industry across Australia, we have the ability to conduct research effectively on an economic, market, community and provider basis. We understand the participants and service providers within the industry. This means we can provide a broad range of insights, expertise and ideas and apply them to the market policies and regulations, to help drive the future success of the industry. We have hosted aged care breakfasts with providers and Minsters. More recently we were fortunate to present the health and aged care component of our Federal Budget: a 10 year retrospective.

This capability is backed by a team that are active on industry boards, committees and government advisory panels, for example several of our people sit on state Retirement Living Committees for LASA, VHA and PCA, and boards of not-for-profit providers. Members of our technology team sit on the Australian Information Industry Association Health Special Interest Group.

Advocacy and thought leadership

We are at the forefront of the unique challenges facing health and aged care providers. We pride ourselves in partnering with industry leaders to develop and implement solutions to overcome these challenges. The most recent example is our work with LASA on the recently released Perspectives on the Future of Ageing and Age Services in Australia which are available here.

Collaborating with clients, regulators and industry bodies, we have actively advocated for positive change in the sector. The team has a strong track record of contributing to discussions and submissions relating to regulation, industry, funding, media scrutiny, investment, tax treatments, the Royal Commission into Aged Care and more.

Our Health and Aged Care team deliver a calendar of industry-focused updates, reports and professional development seminars. We undertake research with peak bodies including LASA, PCA and NDS. In recent years, the team has developed insights and practical advice on: tax compliance, cybersecurity, and women in business. We encourage you to visit our website for the extensive portfolio of thought leadership that supports the sector.

For further information contact your host

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