New Zealand Retirement Village Database (NZRVD) November 2015

Whitepaper December 2015

JLL is pleased to announce that its Subscriber New Zealand Retirement Village Database (NZRVD) 2015 is available for purchase. The Subscribers NZRVD contains a selection of data fields from the JLL's Master NZRVD 2015 which is used for consultancy and valuation purposes.

With New Zealand's growing demand for retirement accommodation the NZRVD will assist subscribers and JLL clients to make more effective retirement village related investment, development, marketing and service provision decisions. Which in turn provide positive impacts for the industry as a whole through increased demand generation, general efficiencies and increased transparency.

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Executive Summary

New Zealand's Aging Population

It is a well-established and accepted demographic fact that New Zealand's population is aging, however we need to be reminded of the scale of the numbers involved.

- Statistics New Zealand projects a population aged 75+ years of 778,990 by 2043, accounting for 14 percent of the total population, up from a count of 266,190 and six percent of the total population in 2013

The growth in this age group leads to a corresponding demand for not only appropriate housing, but also a demand for security, socialisation and health related support services. The retirement village industry provides an option for the fulfilment of these needs of our aging population. Also the retirement village accommodation option is largely financed through the freeing up of equity from the residential housing market rather than Government expenditure.

NZRVD Statistics: 2014 to 2015

The data captured within the NZRVD 2015 identified 376 New Zealand Company's Office registered retirement villages operating within New Zealand, an overall increase of 13 villages from the 2014 count of 363.

- Since the inception of the NZRVD in 2012 village numbers have increased from 343 to 376, a growth of 33 villages, and 9.6 percent, over this three year time period

Retirement village unit numbers increased from a count of 25,272 in 2014 to 26,307 in 2015, an addition to the market of 1,035 units and a growth of four percent.

- Since 2012 unit numbers have increased from a count of 21,815 to 26,307, a total change of almost 4,500 units and a growth of 21 percent

Approximately 2,000 of these 4,500 units have met demand generated from the additional population entering the 75+ year's age group, with the other 2,500 units fulfilling demand from factors such as increasing penetration rates.

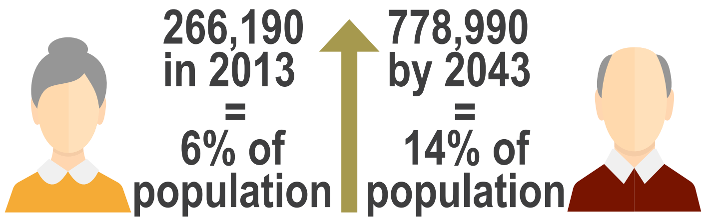
Penetration Rates 2015

Whilst the NZRVD 2015 recorded an increase in the estimated resident count at New Zealand retirement villages, the New Zealand population aged 65+ and 75+ years also increased, with the resulting penetration rates in 2015 being largely unchanged from those calculated in 2014.

This is an indication that the units delivered to the market in the year ended October 2015 merely meet the demand from the population entering these age groups, rather than demand generated from other factors such as an increasing acceptance of the retirement village accommodation option.

The penetration rates continue to vary considerably across the regions, however the notable difference in 2015 was the stabilisation of the Bay

OUR AGEING POPULATION



NZRVD STATISTICS: 2014 TO 2015

RETIREMENT VILLAGE UNIT NUMBERS

of Plenty rates whilst the Auckland Region experienced an increase from 5.8 percent and 14.1 percent to 6.0 percent and 14.8 percent respectively for the 65+ and 75+ year age groups.

These changes in Auckland's rates have been driven by the delivery of product to the market and the resulting take-up. There was also a slight widening in the differentiation in the penetration rates of the North and South Islands.

Demand Drivers and Sensitivity to Penetration Rates

There are a number of drivers responsible for the increase in demand for retirement village living, with the aging population being the key driver, along with growing popularity of retirement village living, and increased product availability being secondary influences.

Other influences include a strong housing market, retirement village affordability in relation to the locations residential housing market, and a decline in the range of alternative retirement accommodation options (i.e. aging parents living with their children is declining in popularity).

In order to provide an indication of the potential demand for retirement village units from the key demand driver of an aging population, we can take the medium growth scenario of New Zealand's population aged 75+ years increasing from 2018 to 2043 by 461,130 residents, apply a penetration rate of 12 percent and a unit occupancy rate of 1.3.

- This ageing population demand driver will create an additional demand from 55,336 residents and 42,566 units, this equates to 284 villages with the average unit count of 150
- On an annual base this equates to 1,703 units and 11.4 villages per annum 2018 to 2043

The impact of a change in the national penetration rate from 12 to 16 percent would escalate the additional demand for units from 42,566 to 56,755, which equates to an additional demand for 2,270 units and 15.1 villages per annum 2018/2043.

Supply

The 2015 NZRVD development pipeline data indicates a total pipeline of 16,108 units, up from the 11,936 units identified in the 2014 NZRVD.

- The distribution of these 16,108 units between currently operating villages and new developments is 37 percent to 63 percent respectively
- The development pipeline identified in the 2015 NZRVD is equivalent to 107 villages of 150 units each
- Auckland's development pipeline totalled 7,940 units, 49 percent of the total national development pipeline (up from 38 percent in 2014)

DRIVERS RESPONSIBLE FOR THE INCREASE IN DEMAND FOR RETIREMENT VILLAGE LIVING

+ popularity of retirement village living

+ product availability

strong housing market

retirement village affordability

decline in alternate accomodation

2018-2043
ADDITIONAL DEMAND TO COME FROM:

55,336 residents & **42,566** units = **284** villages, unit count **150** per village

ANNUALLY THIS EQUATES TO:

unit count **1,703** & **11.4** villages per annum

DEVELOPMENT PIPELINE DATA INDICATES A TOTAL PIPELINE

unit count **11,936** 2014

unit count **16,108** 2015

37% villages currently opertating

63% villages under development

- Followed by 2,150 units and 13 percent of the national pipeline in the Canterbury Region, 1,355 units and eight percent in the national pipeline in the Bay of Plenty Region and 1,228 units and eight percent of the national pipeline in the Wellington Region

New Zealand Aged Care Database (NZACD)

The JLL NZACD records data from aged care facilities within New Zealand and the distribution of rest home, hospital and dementia care beds located at each facility. The NZACD recorded data for 673 facilities as at October 2015, up from a count of 669 as at October 2014. We estimate that ten facilities opened while six closed over this time period, creating a net addition of four facilities.

- Total bed numbers increased from a count of 34,591 in the NZACD 2014 to 35,484 in NZACD 2015, a growth of 893 beds and a change of 2.6 percent

A noteworthy statistic generated by the NZACD 2015 was a decline in rest home beds while hospital and dementia beds experienced growth. This leads us to the question "are retirement villages helping to generate a later life stage entry into aged care facilities, and thus higher demand for hospital and dementia type beds than aged care beds?"

Industry trends 2015/2016

This section of the paper identifies a number of positive industry trends and impacts including the significance of the continuation of care concept, increasing acceptance of the model by the general public and the media, more couples entering villages and the positive impact of villages on the residential housing market and Government expenditure levels. While the risks identified in this section include conditions within the residential housing market and potential supply levels within the Auckland Region.

Summary

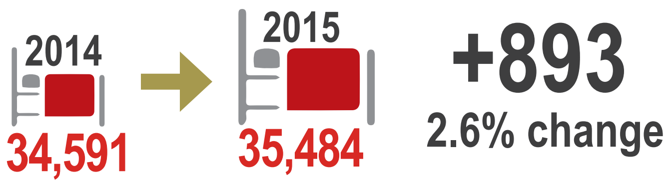
The 2015 NZRVD continues to highlight the remarkable opportunities for growth and expansion within the retirement village industry in New Zealand, with limited signs of oversupply and indicators of strong current and future demand levels.

Several factors however should be considered in order to gain a comprehensive understanding of the market and prevent localised over-supply and the development of poorly conceived product in inappropriate locations.

The NZRVD and JLL's Valuation and Research and Consulting teams provide the tools needed to gain an understanding of the local market, competition levels and other relevant factors needed to help ensure a fruitful expansion or development.

THE NZACD RECORDED DATA FOR 673 FACILITIES AS AT OCTOBER 2015,

TOTAL BED NUMBERS IN AGED CARE FACILITIES




Erika Kohler

Introduction

JLL is pleased to announce that its Subscriber New Zealand Retirement Village Database (NZRVD) 2015 update is available for purchase. The Subscribers NZRVD contains a selection of data fields from the JLL's Master NZRVD 2015 which is used for consultancy and valuation purposes. The Master NZRVD 2015 is a comprehensive all in one location for data on the retirement village industry in New Zealand, with 376 records of currently operating villages registered with the New Zealand Companies Office (NZCO) and 65 records of retirement villages within the development pipeline – i.e. future villages.

The Subscribers NZRVD includes:

- Village name and database ID, location and owner information
- Contact details, mapping coordinates, year established
- Facilities available at each village, tenure details and unit configuration totals, and
- Provision of an aged care facility – hospital, rest home and/or dementia unit

While the Master NZRVD, used for consultancy and valuation services, includes:

- The components of the Subscribers NZRVD as well as sales and marketing contacts details
- Building type data, ORA details, entry fee and capital gains returns details
- Maintenance fees, DMF data by year, vacancy and turnover data
- Estimated resident counts, detailed development pipeline information
- Care facility information (bed counts) and companies office disclosure dates

This white paper provides a summary and insight into what the Master NZRVD 2015 has uncovered, particularly on the changes which have occurred between the 2014 and 2015 databases. We have followed a similar format to the previous white papers, which includes a review of Statistics New Zealand's (SNZ) population forecasts, the penetration rates of 2015 generated using SNZ and NZRVD data, and a demand and supply analysis undertaken using data from the NZRVD 2015.

This year the paper also includes in selection of results from the JLL New Zealand Aged Care Database (NZACD). This database has been updated for the past three years, at the same time as the NZRVD, and is comprised of New Zealand's aged care related facilities which include rest home, hospital and dementia beds. We have provided facility and bed number summaries nationally and by region, and compared the 2015 results with the 2014. The NZACD data is used in valuation and consultancy jobs undertaken by JLL. This is followed by a "Waterford on Hobsonville Point" a case study by Matt Strake from the JLL Valuations team. The paper is concluded with a section provided by John Collyns, Executive Director of the Retirement Village Association on "The Outlook for Retirement Villages".

In order to be able to examine, analyse and forecast supply and demand within the retirement village industry, independent comprehensive data with a national scope is of paramount importance. The JLL NZRVD is able to cater to this demand, providing information on both the demand and supply sides of equation.

JLL's Research and Consultancy and Valuation teams can thus provide an array of specialised and customised services to an extensive range of clients – all based on accurate, annually updated data.

[1]In order to qualify as a retirement village the property must have multiple units, accommodation and service/facilities created primarily for people in their retirement. At these locations residents generally pay a capital sum in return for their right to live within the village.

New Zealand's Aging Population

It is a well-established and accepted demographic fact that New Zealand's population is aging, however before we address the forecasts generated by SNZ in early 2015 this section begins by investigating the changes in the estimated population counts June 2014 to 2015. The results indicate a growth of 23,900 residents in the 65+ year's age group and 9,440 residents in the 75+ year's age group. As at June 2015 15 percent of New Zealand's population were aged 65+ years and six percent 75+ years.

> If we take the estimated 9,440 additional residents aged 75+ years for the year ended June 2015 and apply a 12 percent penetration rate and an average unit occupancy rate of 1.3, an estimated additional demand for 870 units was generated over this twelve month period by the aging population demand driver. According to the NZRVD the industry added 1,035 units in the year ended October 2015.

Map 1: Population Distribution 2015 - 75+ yrs.

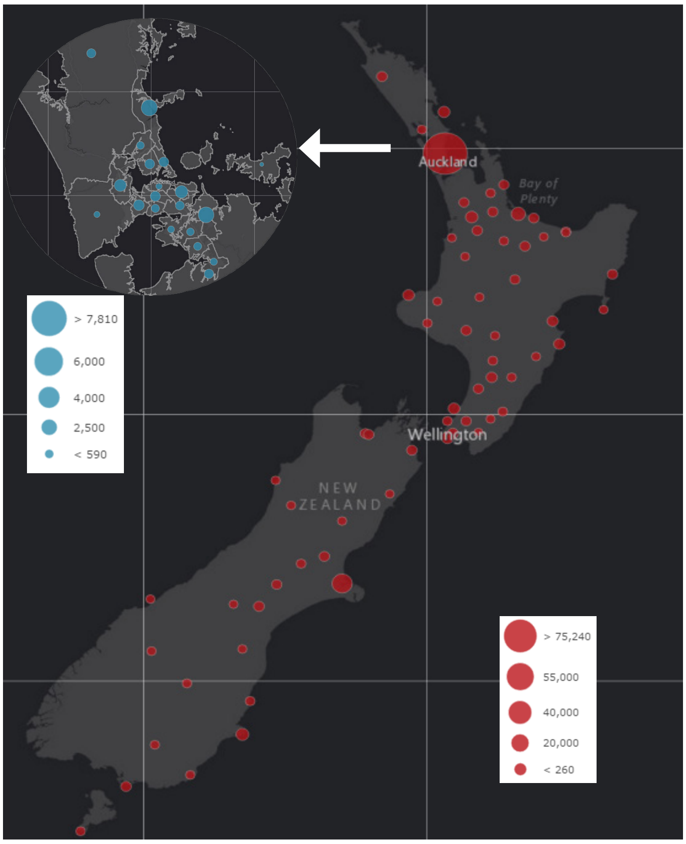
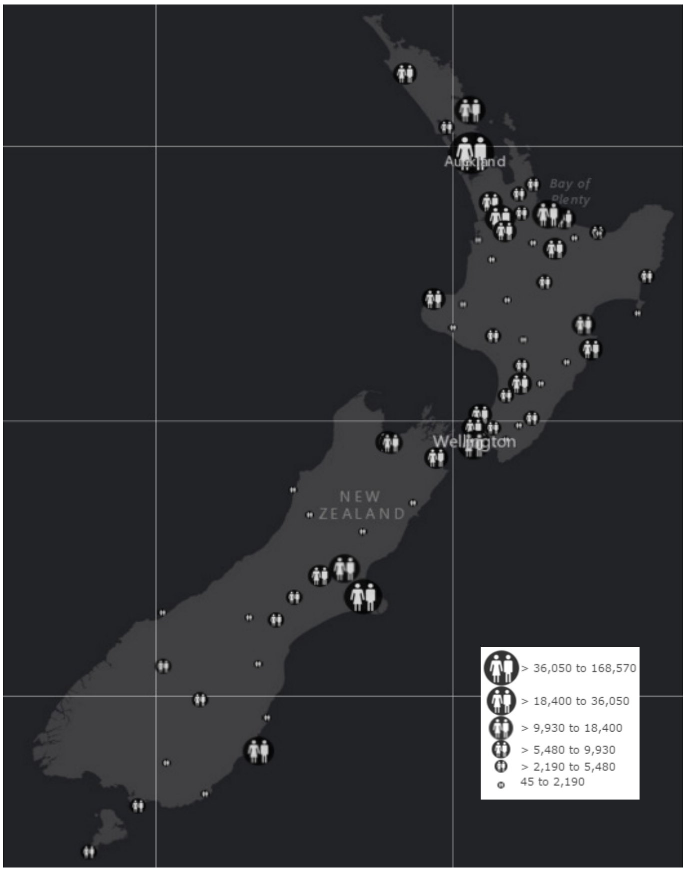


Table 1: NZ Population Estimates 2014 & 2015

	June (Est.)		June 2014/2015	
	2014	2015	Count Change	% Change
Total	4,509,700	4,595,700	86,000	1.9%
65+ years	650,400	674,300	23,900	3.7%
75+ years	273,980	283,420	9,440	3.4%

Source: JLL Research and Consulting; Statistics New Zealand

Map 2: Population Growth 2013/2043 - 75+ yrs.



Source: JLL Research and Consulting; Statistics New Zealand

The following maps provide a geographical illustration of the distribution of New Zealand's population aged 75+ years as at June 2015, by territorial authority, and the distribution of the population growth projected for this age group 2013 to 2043

SNZ population forecasts released in 2015 for the 75+ years age group, highlights the pull of larger cities and coastal living locations for the 75+ age group. For example the Auckland and Canterbury Regions are forecast to increase the share of population aged 75+ years from 40 percent in 2013 to 45 percent in 2043. The forecasts for New Zealand and the Auckland and Canterbury Regions are provided in the following table.

Table 2: Population Forecasts 2013 to 2043 – Medium Scenario

	Year as at June				2013/2043	
	2013	2023	2033	2043	Count Change	% Change
New Zealand						
Total	4,442,100	4,948,800	5,338,300	5,639,000	1,196,900	27%
65+	626,000	885,600	1,173,200	1,341,000	715,000	114%
75+	266,190	397,130	588,770	778,990	512,800	193%
Auckland Region						
Total	1,493,200	1,767,500	2,010,500	2,229,300	736,100	49%
65+	169,800	250,600	349,800	425,400	255,600	151%
75+	69,740	109,190	169,750	238,310	168,570	242%
Canterbury Region						
Total	562,900	638,900	689,000	729,200	166,300	30%
65+	85,800	122,000	162,000	186,200	100,400	117%
75+	37,960	55,070	81,790	108,440	70,480	186%

Source: JLL Research and Consulting; Statistics New Zealand

The 75+ year's population in New Zealand is forecast to increase by a count of 512,800 and 193 percent 2013/2043. The Auckland Region is expected to capture 168,570 of these 75+ years of age residents, taking the regions count of residents within this age group from 69,740 in 2013 to 238,310 in 2043, a change of 242 percent. Whilst the Canterbury Region is expected to capture 70,480 of New Zealand's resident growth within the 75+ age group, taking the regions count of residents within this age group from 37,960 in 2013 to 108,440 in 2043, a change of 186 percent.

The regional distribution of the 75+ age bracket residents is forecast to remain relatively stable 2013/2043 with the exception being the Auckland Region which is forecast in increase its percentage from 26 percent in 2013 to 31 percent in 2043. The distribution between the North and South Islands is expected to remain relatively stable at circa 73 percent North Island and 27 percent South Island.

Using SNZ medium scenario population forecasts, combined with a penetration rate of 12 percent, and an average unit occupancy rate of 1.3, we can estimate the demand for retirement village units driven by New Zealand's' aging population 2013/2043. The results indicate a demand for an additional 1,578 units per annum over this time frame. If we apply a similar methodology to the Auckland Region, but use the regions 2015 penetration rate of 15 percent instead of the national 12 percent, it would indicate an annual additional demand for 648 units driven by the aging population demand driver 2013/2043.

These examples illustrate and help to emphasise the development potential within the retirement village industry in New Zealand. However, they also provide an indicator for the analysis of potential oversupply risks, which is addressed in a subsequent section of this paper.

Section Summary

It is a well-established and accepted demographic fact that New Zealand's population is aging. Statistics New Zealand forecasts a population aged 75+ years of 778,990 by 2043, accounting for 14 percent of the total population, up from a count of 266,190 and six percent of the population in 2013. The growth in this age group leads to a corresponding demand for not only appropriate housing, but also a demand for security, socialisation and health related support services. The retirement village industry provides these factors, but also provides an option for this age group to free up equity from the "family home" and release this property back into the general residential housing market.

NZRVD 2015 Statistics

National Summary Data

A comparison of data from the 2014 and 2015 NZRVD's show an increase in village count of 13, an increase in unit numbers of 1,035, while the estimated resident count increased by 1,345.
These changes equate to a growth of 3.6 percent in village numbers and 4.1 percent in unit and resident counts. The results are summarised in the following table.

Table 3: Summary Results Table – Operating Villages

NZRVD Year	Villages	Units	Est. Residents	Penetration Rate	
				65+ yrs	75+ yrs
2012	343	21,815	24,651	4.2%	9.4%
2013	351	24,148	27,287	4.5%	10.5%
2014	363	25,272	32,854	5.1%	12.0%
2015	**376**	**26,307**	**34,199**	**5.1%**	**12.1%**
2014-2015 Change	**13**	**1,035**	**1,345**	**0%**	**0.1%**

Source: JLL Research and Consulting; NZRVD 2012, 2013, 2014 & 2015

Whilst the village numbers, unit numbers and estimated resident counts have all increased 2014/2015, the growing number of New Zealand residents aged 65+ and 75+ years of age have resulted in the penetration rates remaining essentially unchanged at 5.1 percent for the 65+ year's age group and 12.1 percent for the 75+ year's age group.

Note: The 2012 and 2013 databases used an average number of residents per unit ratio of 1.13, which was updated to a ratio of 1.3 in 2014 & 2015; therefore, the growth in estimated residents is impacted by two variables, the first being an increase in retirement village units, the second is an increase in the number of couples living together within the villages, which has impacted the occupancy per unit ratio.

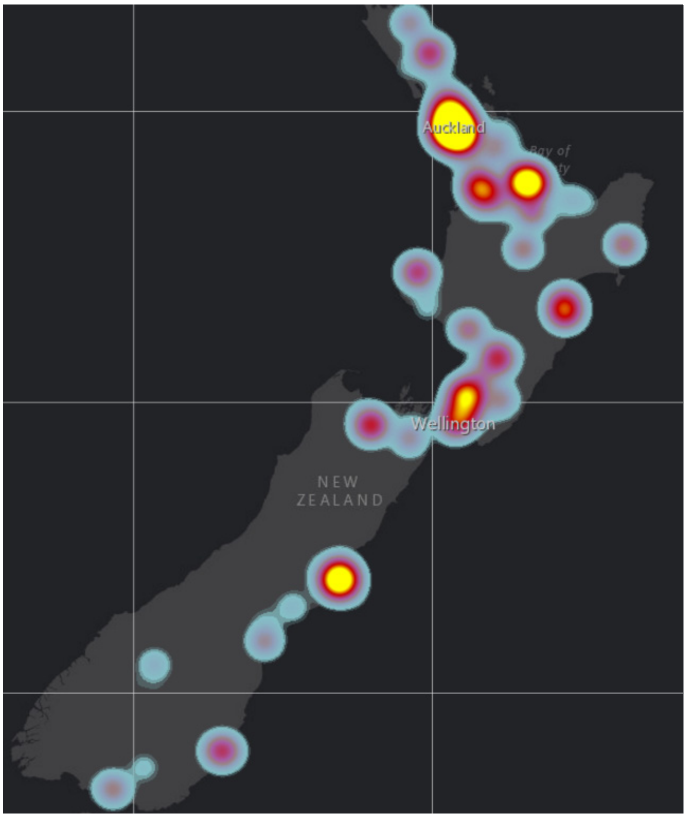
Village and Unit Numbers by Region

There was a strong trend of retirement village unit growth across a majority of regions. Areas such as Auckland enjoyed substantial growth, increasing by 679 units, capturing 66 percent of the total national growth in unit numbers.

Of the 26,307 retirement village units in New Zealand 8,553 (33 percent) are located within the Auckland Region, followed by the Bay of Plenty with 3,067 units (12 percent), and Canterbury with 3,003 (11 percent). These statistics are illustrated in the following map and table.

Village sizes vary greatly across the regions with an average size in Auckland of 106 units, contrasting with 44 units per village in Canterbury. Villages are becoming larger with the average village size in the new village development pipeline being 170 units, compared to the NVRVD 2015 operating village's average of 70 units.

Map 3: Estimated Unit Distribution - NZRVD 2015



Source: JLL Research and Consulting; NZRVD 2015

Table 4: Village/Unit Distribution - Region 2015

Region	Operating Villages – NZRVD 2015				
	Village No.	Unit No.	Est. Residents	Village No.	Unit and Resident No.
Auckland	81	8,553	11,119	22%	33%
Canterbury	69	3,003	3,904	18%	11%
Bay of Plenty	41	3,067	3,987	11%	12%
Waikato	37	2,313	3,007	10%	9%
Wellington	36	2,894	3,762	10%	11%
Manawatu-Wanganui	25	1,310	1,703	7%	5%
Northland	17	934	1,214	5%	4%
Tasman-Nelson-Marlborough	17	1,017	1,322	5%	4%
Hawke's Bay	17	1,165	1,515	5%	4%
Otago	14	800	1,040	4%	3%
Taranaki	9	581	755	2%	2%
Southland	8	332	432	2%	1%
Gisborne	5	338	439	1%	1%
West Coast	0	0	0	0%	0%
New Zealand	376	26,307	34,199		

Source: JLL Research and Consulting; NZRVD 2015

Ownership

Overall the estimated units owned by the five largest operators increased from a count of 12,488 in the NZRVD 2014 to 12,953 in the NZRVD 2015, a change of 465 units, or four percent.

Village numbers increased from 126 in 2014 to 131 in 2015, a change of five villages, or four percent.

Table 5: Village Ownership – Five Largest by Estimated Unit Numbers

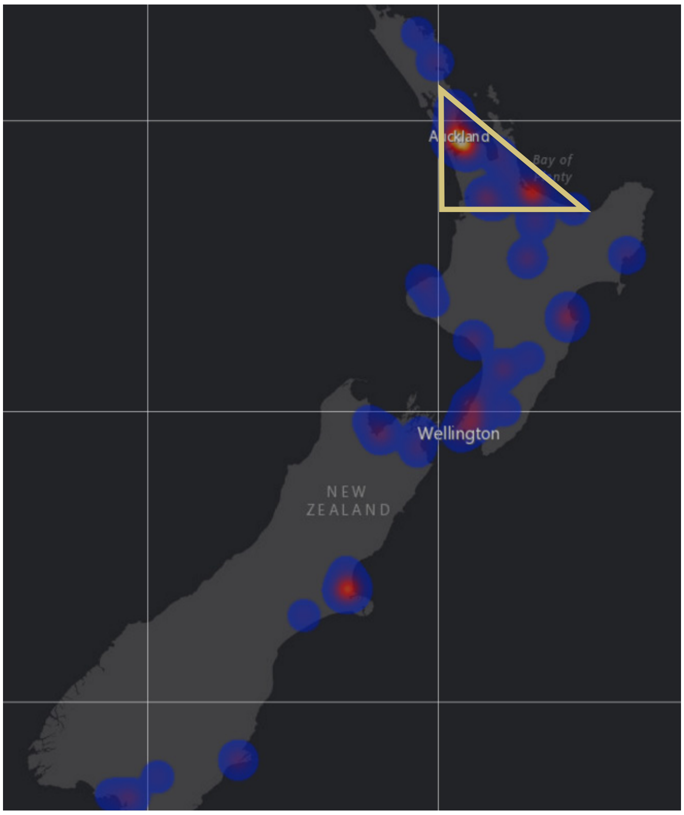
Parent Companies	NZRVD 2014				NZRVD 2015			
	Est. Units	Villages	Average Size (units)	% Total Market Share	Est. Units	Villages	Average Size (units)	% Total Market Share
Ryman	4,305	27	159	17%	4,570	27	169	17%
Metlifecare	3,928	24	164	16%	3,995	25	160	15%
Summerset	1,926	19	101	8%	1,910	18	106	7%
Bupa	1,175	29	41	5%	1,315	34	39	5%
Oceania	1,154	27	43	4%	1,163	27	43	4%
Total	12,488	126	99	49%	12,953	131	99	49%

Source: JLL NZRVD 2014 & 2015

Since the inception of the NZRVD in 2012 the five largest operators; Ryman, Metlifecare, Summerset, Bupa and Oceania, have increased units numbers from 10,712 (2012), 11,879 (2013), 12,488 (2014) and 12,953 (2015), however, the market share of New Zealand's total retirement village units has remained unchanged at 49 percent. Overall the top five operators showed modest growth 2014/2015, with an estimated growth of five villages and 465 units, compared to the growth of nine villages and 609 units 2013/2014.

The following map illustrates the distribution of the major operator's villages, along with the "golden triangle".

Map 4: Large Operators – Village Distribution 2015



Source: JLL Research and Consulting; NZRVD 2015

The "golden triangle" incorporates the cities of Auckland, Hamilton and Tauranga and is illustrated in map four.

The five largest village operators had an estimated 62 villages and 6,955 retirement village units within this area as at October 2015, thus 47 percent of villages and 54 percent of units are located within the golden triangle.

As illustrated in the development pipeline – supply side section of this paper, the five largest operator's development pipeline is also heavily weighted within the golden triangle.

Section Summary

The New Zealand retirement village ownership structure remains largely fragmented in 2015 with an estimated 176 separate owners of the 376 villages identified in the NZRVD 2015. Whilst the five major village operators have maintained a consistent retirement village unit market share of 49 percent since 2012, due to significant land banking, strong development pipeline and acquisition potential of these operators we expect to see notable growth in village and units number over the coming years and the potential to increase their share of New Zealand's total retirement village units.

Penetration Rates

Penetration rates provide an indication of an areas resident's supportiveness and demand for retirement village accommodation and helps to indicate future unit demand potential for sub-areas of New Zealand. Whilst the national penetration rates have already been detailed within this paper the following table provides the results at a regional level.

The highest penetration rates, and thus the largest proportion of the population aged 65+ or 75+ years of age living within retirement villages, are located within the regions of the Bay of Plenty, Gisborne, Auckland and Wellington.

Table 6: Penetration Rates (PR) by Region- November 2015

Region	Est. Resident Count	Population Counts June 2015		Penetration Rates	
	Nov-15	65+ yrs	75+ yrs	65+ PR	75+ PR
Auckland	11,119	184,300	75,220	6.0%	14.8%
Bay of Plenty	3,987	52,300	22,640	7.6%	17.6%
Canterbury	3,904	90,700	39,430	4.3%	9.9%
Wellington	3,762	68,800	28,910	5.5%	13.0%
Waikato	3,007	67,000	27,650	4.5%	10.9%
Manawatu-Wanganui	1,703	40,300	17,760	4.2%	9.6%
Hawke's Bay	1,515	28,200	11,980	5.4%	12.6%
Tasman-Nelson-Marlborough	1,322	28,700	11,700	4.6%	11.3%
Northland	1,214	31,700	12,700	3.8%	9.6%
Otago	1,040	34,700	14,780	3.0%	7.0%
Taranaki	755	19,400	8,640	3.9%	8.7%
Gisborne	439	6,800	2,810	6.5%	15.6%
Southland	432	15,600	6,960	2.8%	6.2%
West Coast	0	5,700	2,240	0.0%	0.0%
New Zealand	34,199	674,300	283,420	5.1%	12.1%
North Island	27,501	498,800	208,310	5.5%	13.2%
South Island	6,698	175,400	75,110	3.8%	8.9%

Source: JLL NZRVD 2015; SNZ Population Projections February 2015

Whilst the national penetration rates have remained largely unchanged from the 2014 rates, there has been changes within regions between 2014 and 2015. Two of the largest gains with regards to penetration rates occurred within Gisborne (+1.0 percent, 75+ rate) and Auckland (+0.7 percent, 75+ rate). The areas which experienced the largest declines in rates were the combined regions of Tasman, Nelson and Marlborough (-1.2 percent, 75+ rate) and Manawatu-Wanganui (-0.9 percent, 75+ rate). The North Island experienced a minor growth in rates, while the South Island experienced a slight decline.

The penetration rates are notably differentiated across the regions with the weather quality, proximity to the coast and population density becoming increasingly robust demand indicators. The North Island has a 5.5 percent 65+ rate and 13.2 percent 75+ rate, compared to 3.8 percent and 8.9 percent in the South Island, with the wilder, colder regions of the West Coast, Otago and Southland experiencing the lowest rates.

Whilst the Bay of Plenty maintained its position as the region with the highest penetration rate at 17.6 percent, the Auckland Region is closing the gap with the variation between the two regions 75+ rate dropping from 3.4 percent in 2014 to 2.8 percent in 2015.
Within the previous whitepaper the following statement was made:

"With the extensive development pipeline identified for the Auckland Region within the NZRVD 2014, we expect to see a further increase in penetration rates within the Region. We also expect to see increased differentiation in penetration levels between the North and South Islands despite the notable development pipeline within the Canterbury Region". We have found this statement confirmed with the 2015 database results, we also expect this to continue being the case going forward.

Penetration Rate Influences

Whilst all the following remain drivers of increasing penetration rates we believe the provision of product will have the largest influence on penetration rates in the coming years, while the most notable negative influence is likely to be generated by negative public relations regarding the industry as a whole and individual villages.

Increasing Penetration Rate Drivers:

- Increased availability of suitable product at villages with quality facilities and a continuation of care option accompanying the units
- Increased market acceptance of the retirement village lifestyle as an accommodation option, not only for once one partner passes away, but for couples who are looking at the future availability of aged care and continuation of care options in connection to their place of residence
  - Increasing the average residents per unit ratio and the resulting penetration rates without an increase in unit numbers
- Sale of residential property in order to access the equity within that property
  - Recent market activity, increased equity values and improved liquidity, have contributed to the mobility of capital into the retirement village sector
- Socio-economic influences
- Affordability/pricing structures at villages
- Increased security needs – gated villages and coded entry apartment blocks
- Alternative aged care housing options

Declining Penetration Rate Drivers:

- Negative public relations – for example - pricing structures and the lack of intergenerational integration with the community
- Cooling of the housing market and the subsequent impacts on equity and the liquidity of that equity
- Mistrust of retirement village pricing structures
- Changes in Government policy

Section Summary

JLL expect to see rising penetration rates in New Zealand over the next ten years, this is given the assumption that adequate retirement village unit supply reaches the market in order to meet demand. The following section takes a look at the impact of changing penetration rates on the demand for units.

Australian Penetration Rates: According to the Property Council of Australia – "National overview of the retirement village sector" – October 2014, the 65+ penetration rate in Australia was 5.7 percent (compared to New Zealand's 2014 rate of 5.1 percent), the Council project that this rate will increase to 7.5 percent by 2025.

Retirement Village Units - Demand Sensitivity

The following table provides an illustration of the sensitivity of demand for retirement village units to changes in penetration rates. We have used SNZ medium growth scenario population projects for the 75+ year's age group. Whilst the medium penetration rate of 12 percent reflects the current market conditions, we would expect over the next ten years to see the market moving from the medium to the high rate used in the following table. We see little probability of the low rate illustrated occurring. Table seven provides results at the national level and for the Auckland Region.

Table 7: Demand Sensitivity of Change in Penetration Rates

Year - June	Penetration Rates - Low/Medium/High							
	New Zealand – RV Resident Demand				Auckland – RV Resident Demand			
	75+ yr Est. Population	Low - 8%	Medium - 12%	High - 16%	75+ yr Est. Population	Low - 11%	Medium - 15%	High - 19%
2018	317,860	25,429	38,143	50,858	85,360	9,390	12,804	16,218
2023	397,130	31,770	47,656	63,541	109,190	12,011	16,379	20,746
2028	489,890	39,191	58,787	78,382	138,030	15,183	20,705	26,226
2033	588,770	47,102	70,652	94,203	169,750	18,673	25,463	32,253
2038	697,900	55,832	83,748	111,664	206,380	22,702	30,957	39,212
2043	778,990	62,319	93,479	124,638	238,310	26,214	35,747	45,279
Change 2018/2043	461,130	36,890	55,336	73,781	152,950	16,825	22,943	29,061

Source: JLL Research and Consulting; SNZ Population Projections February 2015

The key driver of demand is the growth in New Zealand residents aged 75+ years - from 2018 to 2043 this aging population is forecast to generate an additional demand for retirement village accommodation from 36,890 people under a low scenario of eight percent penetration rate, 55,336 under the current rate of 12 percent and 73,781 under a high scenario of 16 percent penetration rate.

This equates to an additional retirement village unit demand of 28,377 low, 42,566 medium and 56,754 under the high scenario with an average unit occupancy rate of 1.3. This equates to 189 villages, with an average unit count of 150, under the low scenario, 284 under the medium and 378 under the high scenario.

Within the Auckland Region the low rate scenario of 11 percent will generate a retirement village resident additional demand of 16,825, while the medium scenario of 15 percent will generate an additional resident demand of 22,943 and the high scenario of 19 percent will generate an additional demand from 29,061 residents. This equates to additional demand for 12,942 units under the low scenario, 17,648 under the medium and 22,354 in the high scenario. This equates to an additional village demand from 2018 to 2043 of 86, 118 and 149 under the difference penetration rate conditions.

The previous table illustrates not only the significant demand generated by New Zealand's ageing population 2018 to 2043, but also the impact changes in the penetration rate can make to the demand side of the equation.

Section Summary

The growth in New Zealand's resident numbers within the 75+ year's age bracket will fuel future demand for retirement village accommodation, encouraging continued robust development within the industry. However demand levels have the potential to be substantially uplifted if the industry also experiences increasing penetration rates. We now turn our attention to the supply side of the equation and summarise the results of the development pipeline data captured within the NZRVD 2015.

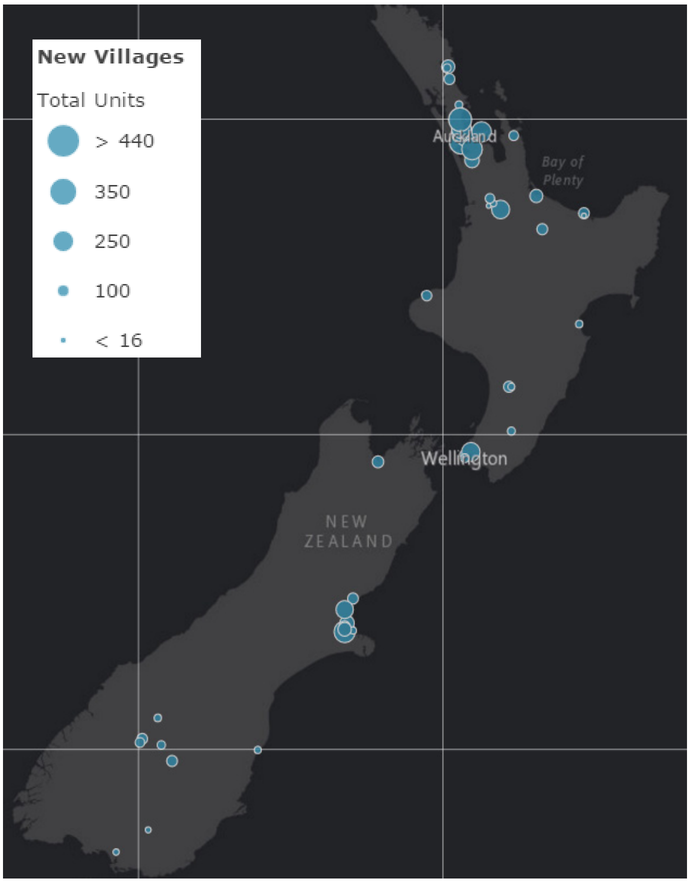
Development Pipeline – Supply Side

Estimated Development Pipeline Distribution 2015

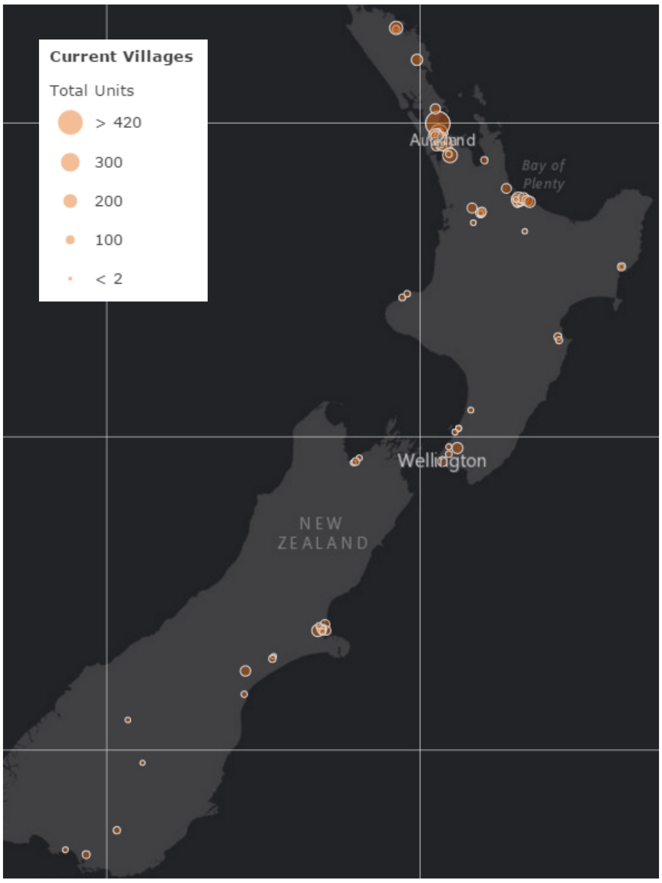
The development pipeline section of the Master NZRVD records detailed information on the pipeline, not only at current NZCO registered villages, but also potential villages with planning underway. The database records planning status, planned unit numbers and type, and any comments regarding the overall development. These records do not include land banking in which no village development plans are underway.

The following maps illustrate the geographical distribution of the estimated units within the development pipeline at new villages and currently operating villages.

Map 5: New Villages



Map 6: Currently Operating Villages



Source: JLL Research and Consulting; NZRVD 2015

Of the 376 NZCO registered retirement villages, as at the end of 2015, 83 had some level of development pipeline (22 percent). Compared to 75 villages of the 363 recorded in the end of 2014 NZRVD (21 percent), and 88 of the 351 villages recorded in the 2013 NZRVD (25 percent).

Whilst the expansion plans at currently operating village's remains significant, the new village development pipeline is notably stronger as at October 2015 with 65 new villages, compared to 51 as at October 2014, and 36 new villages recorded in October 2013 NZRVD .

The results by region are provided in the following table. The table provides development pipeline data at currently operating villages, new villages and a total by region. The NZRVD 2015 contains estimated unit numbers for 80 of the 83 currently operating villages at which development pipeline has been identified. The database also contains estimated unit numbers for 60 of the 65 new villages identified as being in the development pipeline.

Table 8: Development Pipeline Summary Table - NZRVD 2015

Region	Currently Operating Villages			New Villages			Total	
	Total Villages with Pipeline	Est. Unit No.	No. Villages JLL have Unit Numbers	Total Villages with Pipeline	Est. Unit No.	No. Villages JLL have Unit Numbers	Units	% of Total Pipeline
Auckland	22	2,418	21	23	5,522	23	7,940	49%
Bay of plenty	12	991	12	4	364	3	1,355	8%
Canterbury	15	804	13	7	1,346	6	2,150	13%
Gisborne	2	67	2	0	0	0	67	0.5%
Hawkes Bay	2	104	2	1	71	1	175	1%
Manawatu - Wanganui	1	18	1	2	64	1	82	0.5%
Nelson/Tasman/ Marlborough	3	104	3	1	168	1	272	2%
Northland	4	389	4	3	294	2	683	4%
Otago	3	69	3	6	498	5	567	4%
Southland	3	82	3	3	105	3	187	1%
Taranaki	2	78	2	2	171	2	249	2%
Waikato	7	405	7	7	748	7	1,153	7%
Wellington	7	377	7	6	851	6	1,228	8%
Total	83	5,906	80	65	10,202	60	16,108	100%

Source: JLL Research and Consulting; NZRVD 2015

When placed in a regional context the Auckland region captures approximately 49 percent of the development pipeline recorded as at the end of 2015, with 7,940 units, followed by 13 percent and 2,150 units in Canterbury, and eight percent and 1,355 units in the Bay of Plenty. These three regions captured approximately 70 percent of New Zealand's retirement village unit development pipeline.

The following section takes a look at the estimated development pipeline of the five largest villages operators in New Zealand.

Estimated Development Pipeline - Five Largest Operators

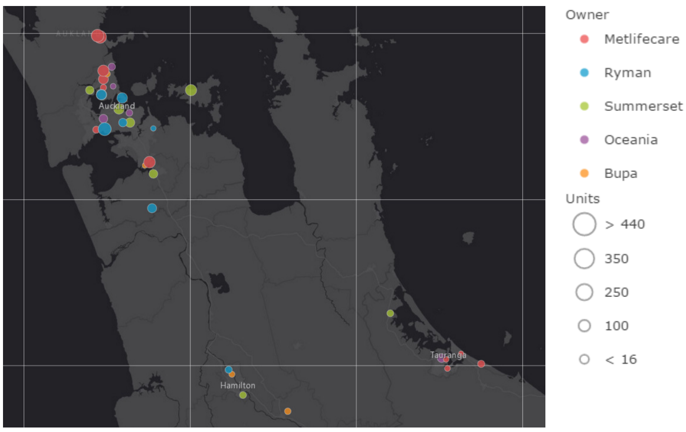
The results of the development pipeline data gathered for the five largest village operators, through the NZRVD 2015, are displayed in the following table. This data does not include straight land banking, as the development must be within some stage of planning or commencement to be included in the NZRVD database as we require estimated unit numbers

Table 9: Development Pipeline – Largest Operators

Development Pipeline Units - NZRVD 2015			
Operator	Currently Operating Villages	New Villages	Total
Ryman	185	2,600	2,785
Summerset	927	1,658	2,585
Metlifecare	1,225	1,138	2,363
Bupa	289	563	852
Oceania	434	338	772
TOTAL	3,060	6,297	9,357

Source: JLL Research and Consulting; NZRVD 2015

Map 7: Golden Triangle – Development Pipeline



As summarised in table nine the five largest village operators in New Zealand have an estimated development pipeline of 9,357 units, 33 percent located at currently operating villages and 67 percent at new villages. Thus the five largest village operators account for approximately 58 percent of the nation's total development pipeline. The development pipeline for the five largest village operators has increased from a count of 7,077 in the NZRVD 2014 to 9,357 in the NZRVD 2015, a growth in units of 2,280, or 24 percent.

The NZRVD recorded a development pipeline of 185 units at Ryman's currently operating villages and 2,600 units at new Ryman villages in the planning or commencement stages of development. Thus creating a development pipeline of 2,785 units, which is 61 percent of Ryman's 2015 currently operating unit total.

Summerset also has a strong development pipeline in place, the notable difference between Ryman and Summerset's development pipeline is the fact that 927, or 36 percent of Summerset's total development pipeline units of 2,585 are located at currently operating villages rather than new villages. Summerset have announced a build rate of 400 units per annum from FY 2016 and beyond, up from the 300 in FY 2015 – thus the development pipeline identified in table nine provides Summerset with development plans for the next six and a half years.

Oceania and Metlifecare are also focusing a large portion of their development pipeline units at currently operating villages, while Bupa has 563 of its 852 total development pipeline units located in new villages.

Of the 9,357 units within the development pipeline for the five largest village operators, 6,766 (72 percent) are located within the "golden triangle" of Auckland, Hamilton and Tauranga. Many of the major operators have openly been targeting this area for land banking and village development.

Section Summary

Operating Villages with Development Pipeline

- 83 villages; 22 percent of the 376 operating and NZCO registered villages in New Zealand
- A total of 5,906 units in the pipeline (estimated units numbers captured for 80 of the 83 villages)
- The Auckland region captured 2,418 of the registered villages development pipeline units, 41 percent of the total units (up from 29 percent on 2014), while the Bay of Plenty region captured 991 or 17 percent of the total units (down from 24 percent of 2014)

New Build Villages

- 65 villages within the "new build" villages section of the NZRVD, up from 51 as at October 2014
- There was a total of 10,202 potential units recorded for 60 of the 65 villages (estimated units numbers captured for 60 of the 65 villages) – up from 6,748 recorded as at October 2014
- 5,522 of the new build units, or 54 percent of the total new build development pipeline, is situated in the Auckland region (up from the 45 percent of the previous period)

A large fully developed modern retirement village is an extended project, averaging six to eight years if the resource consent and time frame goes according to plan. This provides a development time frame which helps us estimate how the supply generated by the development pipeline will be disseminated over the coming years. For example if we divide the "new villages" development pipeline, at the top five operators, by seven years and 150 units per village, we get six new villages per annum being provided to the market by these operators.

Based on the notable level of development pipeline underway at the five largest retirement village operators in New Zealand, we would expect to see their market share of 49 percent of New Zealand's retirement village unit's increase over the next five years, despite the fact it has remained constant over the past four years.

New Zealand Aged Care Database - NZACD

Alongside the NZRVD JLL also records aged care facilities (rest home, hospital and dementia), within the New Zealand Aged Care Database (NZACD), this database is updated each year in October.

Table 10: Facility and Bed Numbers - Nationally

Year	Facilities	Rest Home	Hospital	Dementia	Total
Oct. 2014	669	16,693	13,493	4,404	34,591
Oct. 2015	673	16,506	14,331	4,647	35,484
Change	4	-187	838	243	893

Source: JLL Research and Consulting; NZACD 2015

The results indicate a growth in aged care facility numbers from 669 in 2014 to 673 in 2015, over this time period the data indicates that ten facilities opened while six closed – generating a net gain of four facilities.

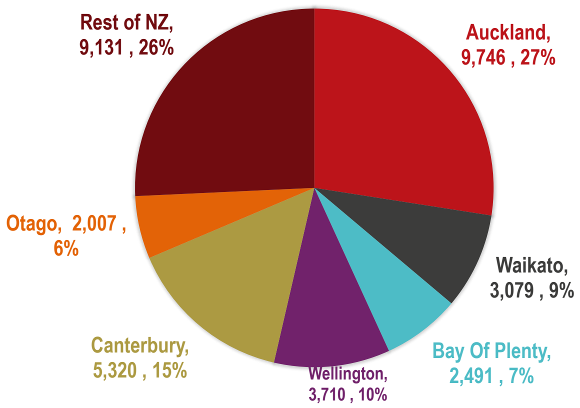
The bed numbers recorded in the NZACD indicate a growth from 34,591 in 2014 to 35,484 in 2015, a growth of 893 beds and 2.6 percent, while the NZ population aged 85+ years increased by a count of 2,390 and a percentage change of 3.1. Bed numbers by type indicate that facilities are swinging beds towards hospital and dementia and reducing rest home bed numbers.

Table 11: Regional Distribution Bed Counts

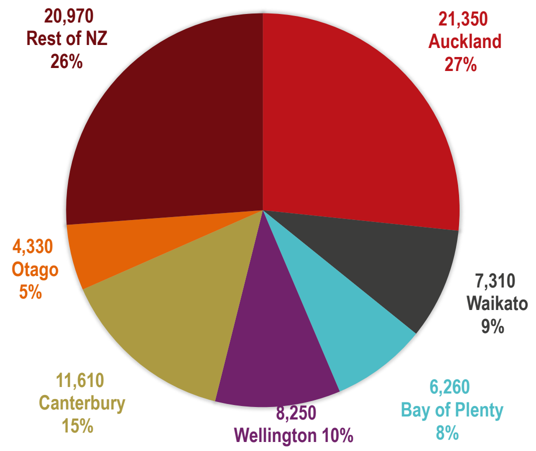
Region	2014	2015	Change	% Change
Auckland	9,256	9,746	490	5.3%
Waikato	2,919	3,079	160	5.5%
Bay of Plenty	2,395	2,491	96	4.0%
Wellington	3,591	3,710	119	3.3%
Canterbury	5,379	5,320	-59	-1.1%
Otago	1,980	2,007	27	1.4%
Rest of NZ	9,071	9,131	60	0.7%
Total	34,591	35,484	893	2.6%

Source: JLL Research and Consulting NZACD

Graph 1: Aged Care Bed Distribution – Oct. 2015



Graph 2: Population Aged 85+ Years – June 2015



Regional distribution indicates that a majority of regions have experienced bed number growth, the exception being Canterbury which experienced a decline of 59 beds. The distribution of aged care bed numbers by region are closely aligned with the distribution of NZ's population aged 85+ years.

The Auckland Region has an estimated count of 21,350 residents aged 85+ years as at June 2015, accounting for 27 percent of the total population aged 85+ years in New Zealand. While the Auckland Region contains approximately 9,746 aged care beds, 27 percent of the total aged care beds in New Zealand, as at October 2015.

Aged Care Facilities within Retirement Villages

Of the 376 villages identified within the NZRVD 2015, 254 contained an aged care facility, while a notable number of the 122 villages without such a facility had the development of one within the development pipeline. An estimated 16,197 aged care beds are located within aged care facilities located at retirement villages, this is approximately 46 percent of the total aged care industries bed count. Of the 65 new villages in the development pipeline it is estimated that 62 percent have an aged care facility in development plans.

Section Summary

There is evidence from Australia that the development of retirement villages (and the associated services at such villages) delay the entry of residents into aged care from 79 years to 84 years, however, the time spent within these facilities may lengthen due to increased life expectancies and medical advancements. This may in part explain the move away from rest home beds towards hospital and dementia beds as illustrated in table 10.

Industry Trends – 2015/2016

Industry Trends 2015/2016

Continuation of care continues to play an important role in retirement village development, some industry players are adding such facilities to currently operating villages, many new villages are including such facilities in the early plans and some industry operators such as Bupa are adding RV units to already well-established aged care facilities. Of the new villages in the development pipeline as at October 2015 62 percent have plans in included an aged care facility.

Whilst land banking is likely to continue in 2016, many of the operators are likely to focus on development plans at the land already banked in 2014 and 2015.

Advancements in village development techniques, design and offerings – increasing exponentially – driven by demand and profit potential and skill levels within the supply side of the industry.

Increasing proportion of couples entering villages, continuing to drive up the unit occupancy rate, but also driving up demand for double garages.

Increasing acceptance and highlighting of the positive aspects of the retirement village model. A general improved understanding of the positive aspects of the industry for New Zealand as a whole. Two of these areas of influence are the impacts on the residential housing market and government expenditure and revenue.

A. Residential Housing Market

Retirement villages can have a positive impact on the general housing market, thus resulting in reduced urban sprawl, infrastructure development and expenditure to accommodate population growth and the needs of these residents

- Part of the solution to the challenge of affordable housing for New Zealanders of all ages, by freeing up family homes within suburbs which already have established schools, transport links, recreation facilities and council facilities such as libraries
- Contributing to residential intensification – new developments have a high proportion of units planned within multiple story apartment blocks

B. Government Expenditure and Revenue

- Savings for the tax payer – the services and support offered to village residents from within the village reduces the reliance of these residents on other high cost and publicly funded health settings – thus resulting in substantial cost savings to the publically funded health care system in New Zealand – and let's not forget the contributions of the sector towards taxation revenue and GDP.

Potential Risks for the Industry

As indicated in previous whitepapers there continues to be a slight oversupply risk in certain areas, particularly in the Auckland Region, with the larger village operator's land banking and planning large villages within the region

- Over the twelve months ended October 2015 the Auckland Regions retirement village development pipeline has increased from approximately 4,560 units to 7,940 units – a growth of 3,380 unit, or 74 percent
- Auckland captures 49 percent of the development pipeline units recorded in the NZRVD 2015, compared to capturing 26 percent of New Zealand residents aged 75+ years
- The 7,940 units identified in the NZRVD 2015 development pipeline for the Auckland Region equate to 1,134 per annum over a seven year development time frame
- Estimated demand generated from an aging population (key driver of demand) within the region will generate demand for 648 units of these 1,134; thus the demand for the remaining 486 units will need to be generated from variables such as an increasing penetration rate and aging units exiting the market (replacement building)

As not all of the development pipeline identified in the NZRVD 2015 will make it to market within the next seven years, the numbers above provide an indication of the supply side risks within the Auckland region.

Another identified risk is a major correction in the housing market – impacting equity liquidity and the affordability of the retirement village supply coming online. This is a risk variable most heavily weighted for the Auckland region, villages without continuation of care in the form of aged care facilities and older villages lacking in modern village facilities.

[2] The Property Council of Australia – National Overview of the Retirement Village Sector – estimates a saving of $2.16 billion for the Australian Government through delayed entry into aged care, less frequent and shorter hospital stays, fewer GP visits and savings through improved social wellbeing.

A foremost decision driver for potential village residents is the affordability of the occupational right agreement (ORA) of new retirement village units, or resell units, compared to general residential housing prices.

Section Summary

This section of the paper has identified a number of positive industry trends and impacts including the significance of the continuation of care concept, increasing acceptance of the model by the general public and the media, more couples entering villages and the positive impact of villages on the residential housing market and Government expenditure and revenue levels. While the risks identified in this section include conditions within the residential housing market and potential supply levels within the Auckland Region.

Village Case Study;
Waterford on Hobsonville Point

Hobsonville Point: the much-discussed, market-leading, integrated residential development, where new dwellings are spreading across the former Air Force Base quicker than rumours of an aging population in New Zealand.

A high quality, high amenity, high density development incorporating a new primary school, high school, farmers market, retail shops, coastal boardwalks and ultimately some 3,000 new dwellings – the perfect location for construction of a new waterfront retirement village. That challenge was taken up by Manor Group Investments, who secured a 3.7 hectare site at the waters' edge, with a commitment to develop a 64 villa, 90 apartment village. Construction is into its third phase,

with 40 villas now complete, 38 of those occupied by 68 residents and the first stage of 32 apartments due to commence mid-2016, with a mid-2017 completion target.

Tauranga-based Manor Group are no strangers to the industry. Led by enthusiastic, former-accountant Adam Yates, Manor Group own and operate villages in Tauranga and Hamilton and come with 30 years of experience in the development and operation of various rest homes, hospitals and village facilities in the Bay of Plenty since 1985. As he showed me around the quaint village, Adam was obviously proud of what they have achieved; and rightly so.

Waterford's first settlers took possession of their villas in July 2014, the majority of whom are from the local catchment area including West Auckland, Greenhithe and the North Shore, with the occasional resident drifting across from Remuera. In terms of pricing, residents have paid $650,000 for an entry level 2-bedroom villa and we understand that larger villas with water views and double garages are considerably more expensive than this. Apartment pricing is yet to be determined, as are final designs.

Villas are generously sized between 122 sqm and 154 sqm and are of quality construction incorporating 2.6 metre stud height ceilings, double glazed aluminium joinery, painted brick and vertical cedar weatherboard cladding, engineered stone benchtops, a full suite of kitchen appliances, underfloor heating warming the tiles in your bathroom, level-entry fully tiled frameless glass showers, LED lighting throughout and rainwater collection tanks which recycle collected water to flush toilets and wash clothes.

Residents enjoy a temporary community facility located in converted villa 1, with a full purpose-built community facility planned to comprise a theatre/activity room, dining for 240 people, a full commercial kitchen, reception and administration offices, a library, heated pool, spa, bar and an intimate lounge centred around a fireplace and incorporating a billiards table. I was advised the on-going construction of the additional stages of the village are less of a disturbance and more an amusement to the existing residents, who are following the project with great interest. Adam advises that construction of a duplex villa takes



25 weeks from turning soil to turning front door keys and contrasts this to a 19 week build period for a duplex in their Tauranga Village. The extended build period is attributed to the complex design and construction, largely governed by design guidelines in Hobsonville Point (with villas incorporating numerous decorative pergolas and up to four different exterior claddings), with the Auckland residential development boom also contributing to extended build periods, not to mention ever-increasing building costs.

Another notable Auckland phenomenon contrasting to Manor Group's experience in Tauranga, is the 'double-garage demand'. Every villa in Waterford with a double garage (and there are many) is occupied by a couple who each have their own vehicle. Conversely in Manor Group's Tauranga Village, only five units have a double garage and not all of those residents have two vehicles. This is a resounding trend across the industry in Auckland and perhaps suggests that the incoming residents are more mobile and more independent; an emerging trend towards younger, healthier village entrants?

The smaller scale, boutique and high quality offering of Waterford means that Adam is not overly worried about over-supply or competition in the immediate locality, commenting that Waterford's product is unique and while price competitive, has additional advantages which encourage demand.

Operated under a licence to occupy, with a 25% deferred management fee (DMF) over the first four years, Waterford's structure is in line with much of the local competition. Incoming residents seem to be conformable with this structure, as witnessed by the resident I saw honing his short-game on his own backyard putting green, as he overlooked the water and dodged his faithful, albeit yappy companion.

At 30 years of age, I'm not entirely ready to retire just yet, but if I was, I think I could nestle into a north-facing, shore-line villa at Waterford on Hobsonville point, quite comfortably.

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Summary

A combination of the notably ageing population within New Zealand, together with a penetration rate which is projected to increase, signals that there is plenty of growth potential for the industry. The demand levels and increasing penetration rate will be influenced by many variables, as outlined in this and previous NZRVD whitepapers, however, quality and the socially responsible operation of retirement village will play a notable influence on the success of the industry and thus the revenue and profile growth potential of the industry.

The development and completion of the NZRVD for the fourth year in the row, and the effort undertaken by JLL's Valuation and Research and Consulting teams in putting together not only the NZRVD but also the NZACD, has allowed us to provide transparency and understanding of various important influences affecting the New Zealand retirement village market. We hope this white paper has provided a valuable resource and we look forward to presenting the industry with the NZRVD 2016 and the corresponding whitepaper.

To end on an encouraging note we would like to point out that surveys of retirement village residents show that a vast majority of people living in retirement villages are

> *"happy – and happier than they were before they moved there".*
>
> *Source: Property Council of Australia – National Overview of the Retirement Village Sector, October 2014.*

The outlook for retirement villages

The growth in demand for retirement village living has been nothing short of spectacular. And as the population ages, and more people discover the benefits of village life, we expect that growth to continue. Figures in this paper show that 83 existing villages have around 6,000 units at some stage of the consent or construction phase, plus an additional 65 villages with around 10,200 units are planned. The number of units is expected to grow by almost 16,000 over the next three to five years, an increase of around 62% on the existing stock.
It's been suggested that this growth isn't sustainable, but look at the demand curve.

At the end of 2015 around 12% of the over-75 population chose to live in a village; this is an increase from 10.5% at the end of 2013 and up from 9% at the end of 2012. Not only is the number of 75 year olds in the population increasing, so too is the number choosing to live in a retirement village. Assuming that we maintain (rather than increase) a 12% penetration rate we will need to build an additional 45,600 units over the next 20 years, generated solely by the aging population. Obviously, if we continue to increase the penetration rate (think of it as market share) that number will also grow - an increase to 14% of the +75 population will also increase demand for units to 53,200 by 2038. Or to put that another way, at an average village size of 150 units, that's a demand for 17 new villages each and every year between now and 2038.

This demand for units is driving operators' construction programmes. 2,150 village units were completed in the 2014 calendar year - that's 41 units and apartments each and every week! And it's not just the corporate operators who are busy building; a bit under half of last year's total was provided by private independent operators and approximately 10% were built by not-for-profit operators such as the Masonic Trusts, church and religious groups. Remember, each unit built frees up a family home back into the housing market, and contributes to easing the general housing shortage we face.

The principal challenges for the sector revolve around managing that success - finding suitable land in the right place and at the right price, ensuring the consent process is efficient and effective, and finding the right people to manage and run the villages. The RVA is working with local government on their strategic planning processes and with central government on amendments to the RMA that will see retirement villages as a residential development and ease the way to establish them so they are part of their residents' natural community. As the majority of residents move to a village that's no more than 15 km from their home, it's essential that villages are part of that community.

The enthusiastic response from existing residents to their decision to move to a village also drives that growth. Late in 2014 the RVA commissioned leading Australian market research company McCrindle Research to find out more about our residents' attitudes and expectations from their move to a village. Around 1,300 randomly-selected residents (from a sample of 3,000) completed the survey. The results were outstanding. Replying to the international standard Net Promoter Score customer satisfaction question "How likely is it that you would recommend living in a retirement village to your friends and family", we scored +47, which is one of the highest customer satisfaction scores recorded by an industry sector. By comparison, doctors scored -13, energy companies -40 and banks +13.

The same survey found that two out of three residents reported a greater sense of security, 67% reported an improved social life, and a third reported an improvement in their physical health. It's hardly surprising that our residents tell anyone who'll listen that "I should have done this years ago"!

While on the subject of health, a major factor in peoples' decision to move to a village is the proximity of care, should it be needed. A village that provides a continuum of care often does away with another move later.

Another reason to think about moving is a very practical one. Often the family home represents the principal asset, but being asset-rich and cash-poor means that many older people struggle with a lack of money. Selling the home to another family to enjoy not only adds another house to our housing pool but it also releases the pent-up equity, allowing the resident to buy an occupation right in a retirement village and have money left over to add to their retirement savings.

Social researchers CRESA recently surveyed 477 retirement village residents about the equity release they experienced when they moved to a village. Around 30% said they got less than $25,000 but almost 35% said they got more than $100,000 (everyone else was somewhere in between). In general, retirement village occupation rights are priced at around 60-75% of the average freehold home in the area where they're built so that incoming residents can get some equity to add to their savings. Because (in general) they don't actually own the bricks and mortar, it's cheaper than a freehold home and the hassles of home ownership are done away with - the constant cycle of painting, weeding, kitchen and bathroom upgrades, repairs and maintenance.

Retirement villages are not just for the wealthy. Residents come from all walks of life, with a majority (61%) using their National Superannuation as their primary source of income. 55% state their incomes are $25,000 p.a. or less. Just 7% state their current asset value is greater than $600,000. Many villages are affordable for the everyday New Zealander. Across the industry there are entry points as low as $80,000 and as high as $1.2m. Without the retirement village model operating as it does, many people would be unable to access the level of care, security, facilities and living arrangements that are on offer.

And retirement village units are purpose-built for older people - warm, accessible, and energy-efficient to run; just what many are looking for after a long time in a home that's too big, too cold and too expensive to maintain.

From the RVA's perspective, the challenges we face are crucial not only for the sector, but also the wider community. Retirement villages are now part of the mainstream housing options for older people, and the thousands of people who are flocking to the public seminars about living in a retirement village being run around the country by the Commission for Financial Capability are proof of that. While village living is not for everyone, it will continue to play an important role in meeting the needs of New Zealand's ageing population.

We are fortunate that our consumer protection regime is world-leading, and our villages satisfy residents' needs. We are convinced we are part of the solution.

John Collyns
Executive Director – Retirement Village Association
20 November 2015

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