New Zealand Retirement Village Database (NZRVD) November 2016

Whitepaper: February 2017

New Zealand Retirement Village Database

JLL is pleased to announce that its Subscriber New Zealand Retirement Village Database (NZRVD) 2016 is available for purchase. The Subscribers' NZRVD contains a selection of data fields from JLL's Master NZRVD 2016 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. This in turn provides positive impacts for the industry as a whole through increased demand generation, general efficiencies and increased transparency.

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Introduction

This is the fifth whitepaper JLL has released based on the results of the JLL NZRVD. The results provide a synopsis of the New Zealand retirement village industry as at November 2016, a data history going back to November 2012, and a look to the future through the development pipeline section.

New Zealand's Ageing Population

The results of the New Zealand's ageing population section illustrate that the section of New Zealand's population aged 75 and over has increased by 4.1 percent between June 2015 and June 2016.

Auckland has more than a quarter of New Zealand's residents who are aged 75 and over.

If we look ahead to 2043, Statistics New Zealand's population forecasts suggest the number of people in this age bracket will grow by 164 percent. In Auckland, that growth rate is expected to be 205 percent.

We estimate there will be demand for an additional 1,654 retirement village units every year in New Zealand between 2016 and 2043.

NZRVD Statistics: 2015-2016

Between 2015 and 2016, we have seen seven new retirement villages created.

Since the inception of the NZRVD in 2012, there have been 40 new villages – a growth rate of 12 percent.

Retirement village unit numbers increased from a count of 26,307 in 2015 to 28,168 in 2016, an addition to the market of 1,861 units and a growth of seven percent. Since 2012 unit numbers have increased from a count of 21,815 to 28,168, an additional 6,353 units and a growth of 29 percent.

At a regional level, the 2016 data indicates that the Auckland Region had 32 percent of the total retirement village units in New Zealand, followed by 12 percent in both Canterbury and Wellington. This is closely followed by 11 percent in the Bay of Plenty Region.

The data also indicates that the largest retirement village operators are Ryman and Metlifecare, which had approximately 19 percent and 14 percent respectively of New Zealand's total unit numbers in 2016.

Penetration Rates 2016

Our database combined with Statistics New Zealand's population estimates, indicate a 75 plus years' penetration rate of 12.4 percent in 2016, an increase from the 12.1 percent recorded in 2015.

At a regional level the highest 75 plus penetration rate was in the Bay of Plenty Region with 17.4 percent, followed by 15.3 percent in the Gisborne Region and 15.1 percent in the Auckland Region. A number of regions have shown a decline in the penetration rate between 2015 and 2016 as the supply of retirement village units in the region have not kept pace with the growth in residents aged 75 plus years in the area.

JLL expects to record continued growth in New Zealand's 75 plus penetration rate over the next 15 years, assuming adequate retirement village unit supply reaches the market in order to fulfil demand.

Demand Drivers and Sensitivity to Penetration Rates

There are a number of drivers responsible for the increase in demand for retirement village units, aside from the ageing population.

Retirement village living is growing in popularity and there is an increasing range of products to choose from. Other influences include the strong housing market, the affordability of retirement village living compared to housing in each location, a decline in alternative accommodation options (such as the decline in popularity of ageing parents living with their children).

If the industry can achieve a higher penetration rate of 16 percent, the number of additional units needed between 2016 and 2068 would be 97,415 or 1,873 per annum - the equivalent of 12.5 new villages of 150 units per annum.

Development Pipeline

The 2016 NZRVD development pipeline data indicates a total pipeline of 15,847 units, down from

Executive Summary

the 16,108 units identified in the 2015 NZRVD.

- Of these 15,847 units, 44 percent will be in currently operating villages and 56 percent in new developments
- The development pipeline is equivalent to 106 villages of 150 units each
- The development pipeline in the Auckland Region represents 44 percent of the national total. The Canterbury Region has 13.6 percent; Bay of Plenty has 8.5 percent; and Waikato has 9.4 percent of the national development pipeline.

New Zealand Aged Care Database (NZACD)

The JLL NZACD records data regarding aged care facilities within New Zealand and the distribution of rest home, hospital and dementia care beds located at each facility. We have recorded data for 667 facilities as at November 2016, down from a count of 673 as at November 2015. We estimate that 13 facilities opened while 19 closed over this time period, creating a net loss of six facilities.

Total bed numbers increased by eight percent - a notably larger growth than that experienced between 2014 and 2015.

The results of the NZACD 2016 suggests that small operators are battling, while the larger operators are providing the new beds - particularly aged care facilities which are part of a retirement village.

Industry Trends 2016/2017

This section of the paper identifies a number of positive industry trends and impacts including:

- A significant push forward by operators to get new units delivered to market
- An interest in the sector from international investors, as well as first-time developers
- Development and growth in unit numbers remains a strong focus for the larger village operators
- Advancements in village development techniques and analysis; and a pull by the industry for highly skilled professionals across a range of industries
- The industry is having positive impacts on the general housing market and generation of employment opportunities.

Executive Summary

While the risks identified in this section continue to include:

- An oversupply in the Auckland Region in the short to medium term
- The holding costs of land banking and miscalculations in locational and capital investment decisions
- Negative publicity regarding the ORA
- Risks from the general housing market impacting potential residents' equity holdings.

Summary

The JLL Valuations and Research and Consulting teams have a wealth of data, knowledge and location analysis tools and software to deliver a range of services for the retirement village industry.

The industry has the potential for not only remarkable growth but also plays an important role in providing accommodation options for New Zealand's ageing population and contributing to the nation's general economic growth.

Introduction

JLL is pleased to announce that its Subscriber New Zealand Retirement Village Database (NZRVD) 2016 update is available for purchase. The Subscribers' NZRVD contains a selection of data fields from JLL's Master NZRVD 2016 which is used for consultancy and valuation purposes. The Master NZRVD 2016 is a comprehensive all-in-one location for data on the retirement village industry in New Zealand, with 383 records of currently operating villages registered with the New Zealand Companies Office[1] (NZCO) and 68 records of retirement villages within the development pipeline – i.e. future villages.

The Subscribers' NZRVD includes:

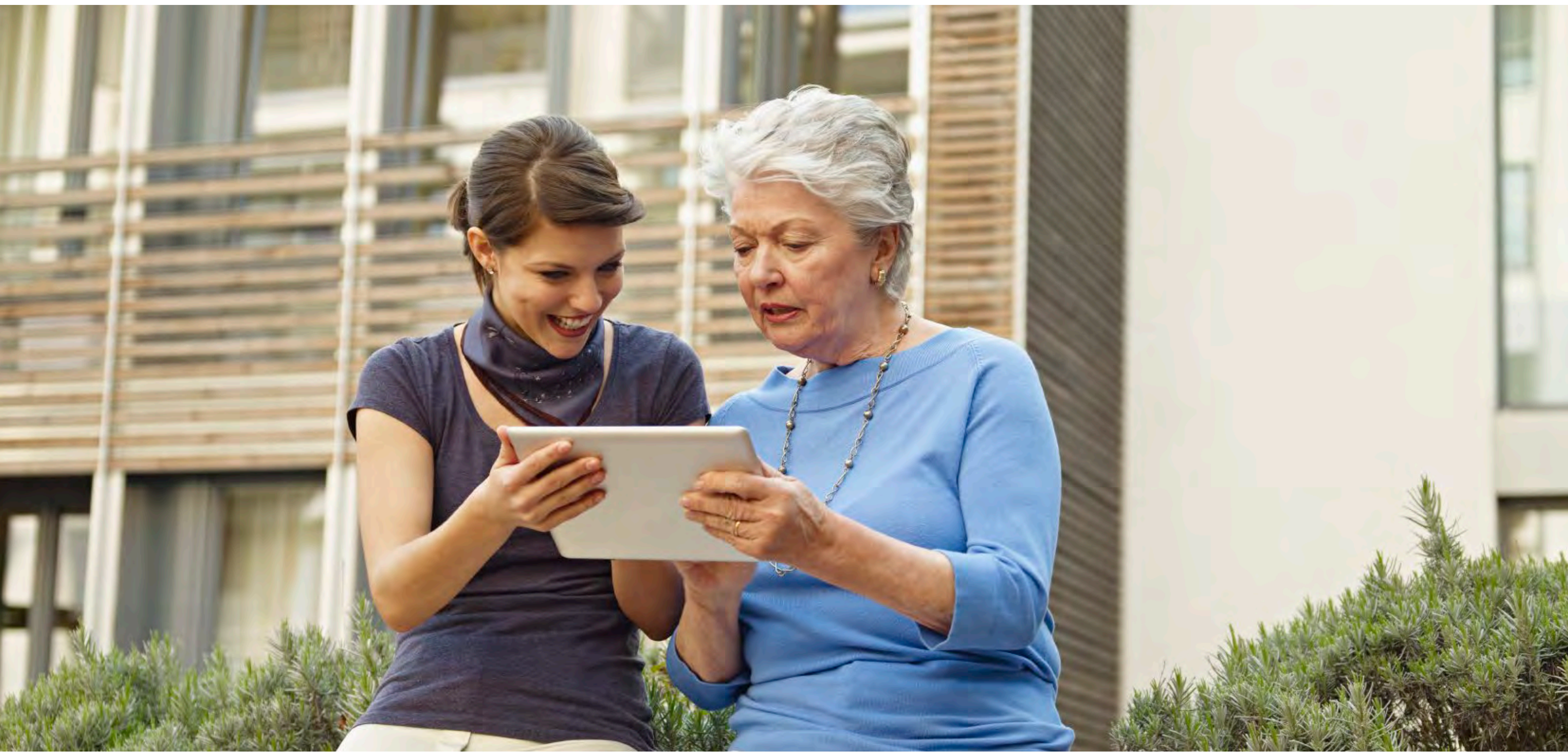
- Village name and database ID, location and owner information
- Contact details, mapping coordinates, year established
- Facilities available at each village, tenure details and unit configuration totals, and
- Provision of an aged care facility – hospital, rest home and/or dementia unit

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

- The components of the Subscribers' NZRVD as well as sales and marketing contact's 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 and detailed development pipeline information
- Care facility information (bed counts) and NZCO disclosure dates

This whitepaper provides a summary and insight into what the Master NZRVD 2016 has uncovered, particularly on the changes which have occurred between the 2015 and 2016 databases. We have followed a similar format to the previous whitepapers, which includes a review of Statistics New Zealand's (SNZ) population forecasts, the penetration rates of 2016 generated using SNZ and NZRVD data, and a demand and supply analysis undertaken using data from the NZRVD 2016.

The paper also includes a selection of results from the JLL New Zealand



[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.

Introduction

Aged Care Database (NZACD). This database has been updated for the past four 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 2016 results with the 2015. The NZACD data is used in valuation and consultancy jobs undertaken by JLL.

The paper concludes with a section provided by John Collyns, Executive Director of the Retirement Village Association, and a note from Diane Maxwell, the Retirement Commissioner from the Commission for Financial Capability.

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 the 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.

New Zealand's Ageing Population

It is a well-established and accepted demographic fact that New Zealand's population is ageing, however before we address the forecasts generated by SNZ in 2016, this section begins by investigating the changes in the estimated population counts between June 2015 and June 2016.

Table 1: NZ & Auckland Region Population Estimates - June 2015 & 2016

	New Zealand				Auckland			
	June (Est.)		June 2015/2016		June (Est.)		June 2015/2016	
Total	2015	2016	Count Change	% Change	2015	2016	Count Change	% Change
	4,595,700	4,693,000	97,300	2.1%	1,569,900	1,614,300	44,400	2.8%
65-74 years	390,940	403,310	12,370	3.2%	10,9100	112,120	3,020	4.2%
75-84 years	203,340	212,040	8,700	4.3%	53,870	56,120	2,250	3.7%
85+ years	80,080	83,030	2,950	3.7%	21,350	22,140	790	3.7%
65+ years	674,300	698,400	24,100	3.6%	184,300	190,400	6,100	3.3%
75+ years	283,420	295,070	11,650	4.1%	75,220	78,260	3,040	4.0%

Source: JLL Research and Consulting; Statistics New Zealand

At the national level the population aged 65-74 years increased by a count of 12,370 between 2015/2016, with 3,020 (24 percent) located within the Auckland Region. The 75-84 years age group increased by a count of 8,700 nationally, with 2,250 (26 percent) of these located within the Auckland Region. The 85+ years age group increased by a count of 2,950 nationally, with 790 (27 percent) located within the Auckland Region.

Nationally the percentage of residents aged 65+ increased from 14.7 percent in 2015 to 14.9 percent in 2016, while the percentage of residents aged 75+ increased from 6.2 percent in 2015 to 6.3 percent in 2016. In the Auckland Region the percentage of residents aged 65+ increased from 11.7 percent in 2015 to 11.8 percent in 2016, while the percentage of residents aged 75+ remained unchanged at 4.8 percent.

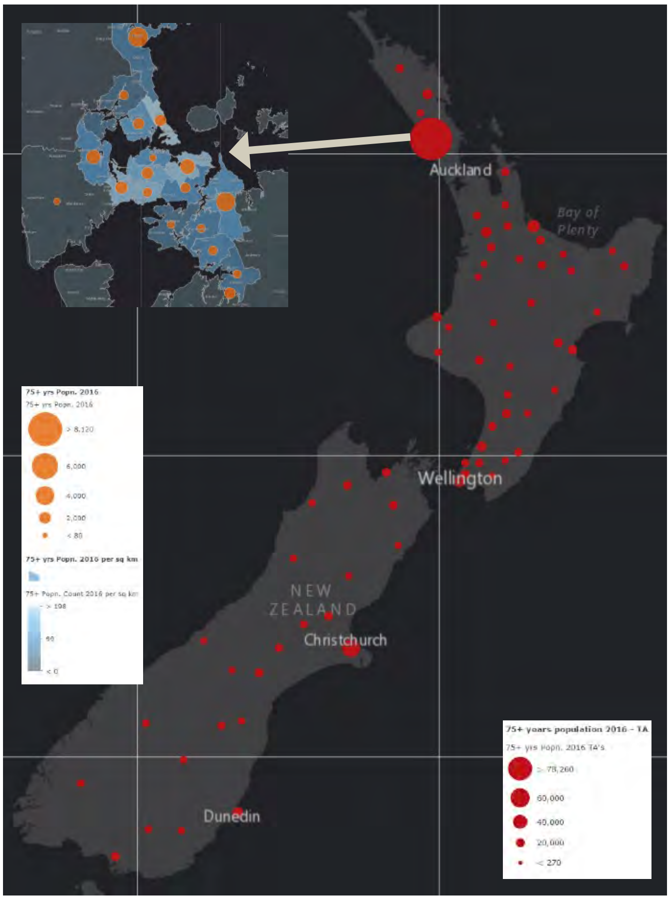
New Zealand: If we take the estimated 11,650 additional residents aged 75+ years for the year ended June 2016 and apply a 12 percent penetration rate and an average unit occupancy rate of 1.3, an estimated additional demand for 1,075 units was generated over this 12-month period by the ageing population demand driver. According to the NZRVD the industry added 861 units in the year ended November 2016.

Auckland Region: If we take the estimated 3,040 additional residents aged 75+ years for the year ended June 2016 and apply a 15 percent penetration rate and an average unit occupancy rate of 1.3, an estimated additional demand for 351 units was generated over this 12-month period by the ageing population demand driver. According to the NZRVD the industry added 545 units in the year ended November 2016.

New Zealand's Ageing Population

The following maps provide a geographical illustration of the distribution of New Zealand's population aged 75+ years as at June 2016, by territorial authority or local board area in the Auckland Region. As well as the distribution of the population growth projected for the 75+ years age group between 2016 and 2043.

Map 1: Population Distribution June 2016 75+ yrs. – NZ TAs and Auckland LBAs



Map 2: Population Growth Distribution 2016/2043 75+ yrs. Age Group

Source: JLL Research and Consulting; Statistics New Zealand

Statistics New Zealand's population forecasts released in 2016 for the 75+ years age group, highlight the pull of larger cities and coastal living locations for this group. As an example the Auckland and Canterbury Regions are forecast to increase the share of population aged 75+ years from 40 percent in 2016 to 45 percent in 2043. The forecasts for New Zealand and the Auckland and Canterbury Regions are provided in the following table.

New Zealand’s Ageing Population

75+ Age Group Densities

The densities of population aged 75+ years is forecast in increase considerably in a number of areas. Within the Local Board Areas of the Auckland Region the Devonport-Takapuna LBA is forecast to increase from a density of 199/sq km in 2016 to 492/sq km in 2043, while the Whau LBA is forecast to increase from a density of 177/sq km in 2016 to 406/sq km 2016/2043. The largest increase in density is forecast for the LBA of Waitemata increasing from 109/sq km in 2016 to 537/sq km 2043.

The densities in the NZ Territorial Authority areas indicate the highest densities are currently Tauranga City with 91/sq km, which is projected to increase to 205/sq km in 2043; Hamilton City with a density of 74/sq km in 2016, which is projected to increase to 200/sq km in 2043; and Napier City with a density of 51/sq km in 2016, projected to increase to 115/sq km in 2043. Auckland has a notably lower density of 16/sq km in 2016, projected to increase to 48/sq km in 2043.

New Zealand's Ageing Population

Table 2: Population Forecasts 2016 to 2043 – Medium Scenario

	Year as at June				2016/2043	
	2016	2023	2033	2043	Count Change	% Change
New Zealand						
Total	4,693,000	4,948,800	5,338,300	5,639,000	946,000	20%
65-74 years	403,310	488,440	584,440	561,970	158,660	39%
86-84 years	212,040	295,440	415,570	514,160	302,120	142%
85+ years	83,030	101,690	173,200	264,830	181,800	219%
65+ years	698,400	885,600	1,173,200	1,341,000	642,600	92%
75+ years	295,070	397,130	588,770	778,990	483,920	164%
Auckland Region						
Total	1,614,300	1,767,500	2,010,500	2,229,300	615,000	35%
65 - 74 years	112,120	141,380	180,070	187,100	74,980	67%
75 - 84 years	56,120	81,080	119,540	157,710	101,590	181%
85+ years	22,140	28,110	50,210	80,600	58,460	264%
65+ years	190,400	250,600	349,800	425,000	235,000	123%
75+ years	78,260	109,190	169,750	238,310	160,050	205%
Canterbury Region						
Total	600,100	638,900	689,000	729,200	129,100	22%
65 - 74 years	52,740	66,910	80,260	77,810	25,070	48%
75 - 84 years	28,710	40,490	57,690	71,410	42,700	149%
85+ year	12,060	14,580	24,100	37,030	24,970	207%
65+ years	93,500	122,000	162,000	186,200	92,700	99%
75+ years	40,770	55,070	81,790	108,440	67,670	166%

Source: JLL Research and Consulting; Statistics New Zealand

New Zealand’s Ageing Population

The 75+ years population in New Zealand is forecast to increase by a count of 483,920 and 164 percent between 2016 and 2043. The Auckland Region is expected to capture 160,050 of these residents, taking the region’s count of residents within this age group from 78,260 in 2016 to 238,310 in 2043, a change of 205 percent. The Canterbury Region is expected to capture 67,670 of New Zealand’s resident growth within the 75+ age group, taking the region’s count of residents within this age group from 40,770 in 2016 to 108,440 in 2043, a change of 166 percent.

The regional distribution of residents in the 75+ age bracket is forecast to remain relatively stable between 2016 and 2043 with the exception being the Auckland Region which is forecast to increase its percentage from 27 percent in 2016 to 31 percent in 2043. The distribution between the North and South Islands is expected to remain relatively stable at circa 74 percent in the North Island and 26 percent in the South Island.

Using Statistics New Zealand’s 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 ageing population over the time period between 2016 and 2043. The results indicate a demand for an additional 1,654 units per annum over this time frame.

If we apply the same methodology to the Auckland Region, but use the region’s 2016 penetration rate of 15 percent instead of the national 12 percent, it would indicate an annual additional demand for 684 units driven by the ageing population demand driver 2016/2043.

Section Summary

It is a well-established and accepted demographic fact that New Zealand’s population is ageing. 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 295,070 and six percent of the population in 2016. 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.

Whilst the retirement village accommodation option is not for everyone, approximately 12 percent of New Zealand’s residents aged 75 plus have chosen this option as at November 2016.

NZRVD 2016 Statistics

National Summary Data

A comparison of data from the 2015 and 2016 NZRVDs show an increase in village count of seven, an increase in unit numbers of 1,861, and an increase in the estimated resident count of 2,419. These changes equate to a growth of 1.9 percent in village numbers and seven 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	65+ years	Penetration Rates 75+ years
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%
2016	**383**	**28,168**	**36,618**	**5.2%**	**12.4%**
2015-2016 Changes	**7**	**1,861**	**2,419**	**0.1%**	**0.3%**

Source: JLL Research and Consulting; NZRVD 2013, 2014, 2015 & 2016

The NZRVD 2016 recorded a total of 383 villages, 28,168 units and 36,618 residents as at November 2016. Resulting in a 75 plus penetration rate of 12.4 percent, an increase of 0.3 percent from the 12.1 percent recorded in November 2015.

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 from 2014; therefore, the growth in estimated residents 2013/2014 was 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.

NZRVD 2016 Statistics

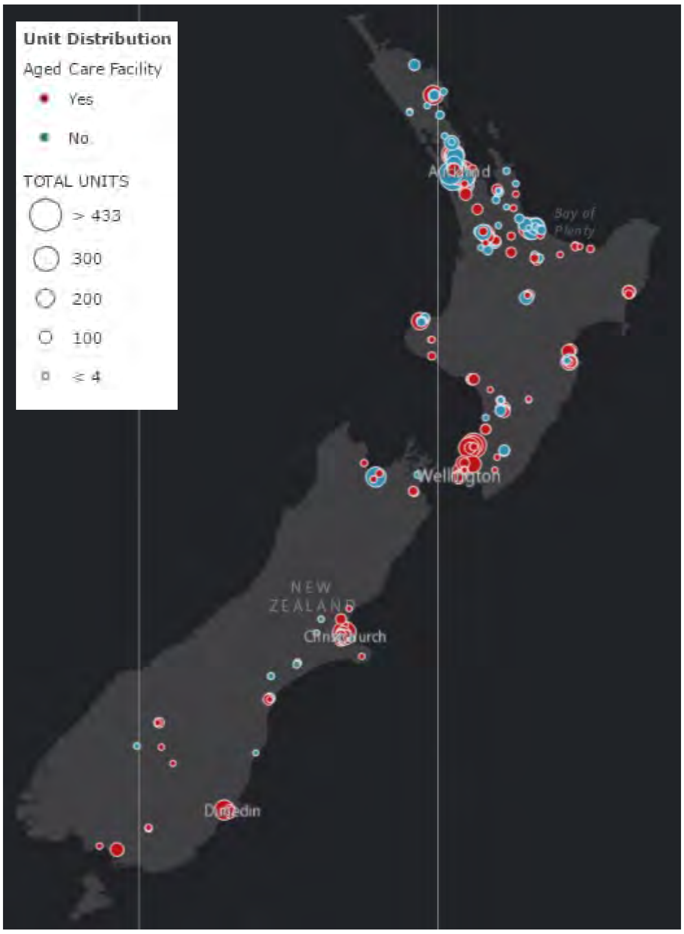
Village and unit numbers by region

There was a strong trend of retirement village unit growth across a majority of regions. Areas such as Auckland enjoyed substantial growth, increasing by 545 units, capturing 30 percent of the total national growth in unit numbers.

Of the 28,168 retirement village units in New Zealand, 9,098 (32 percent) are located within the Auckland Region, followed by the Canterbury with 3,328 units (12 percent), and Bay of Plenty with 3,196 (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 108 units, contrasting with 42 units per village in Southland. Villages are becoming larger with the average village size in the new village development pipeline being 149 units, compared to the NZRVD 2016 operating villages' average of 69 units.

Map 3: RV Unit Distribution - NZRVD 2016



Source: JLL Research and Consulting; NZRVD 2016

Table 4: Village/Unit Distribution - Region 2016

	Operating Villages - NZRVD 2016				
	Counts			National %	
Region	Village No.	Unit No.	Est. Residents	Village No.	Unit & Resident No.
Auckland	84	9,098	11,827	22%	32%
Canterbury	72	3,328	4,326	19%	12%
Bay of Plenty	41	3,196	4,155	11%	11%
Waikato	38	2,494	3,242	10%	9%
Wellington	36	3,314	4,308	9%	12%
Manawatu-Wanganui	25	1,310	1,703	7%	5%
Northland	16	914	1,188	4%	3%
T/N/M*	17	1,186	1,542	4%	4%
Hawke's Bay	17	1,182	1,537	4%	4%
Otago	14	800	1,040	4%	3%
Taranaki	10	659	857	3%	2%
Southland	8	339	441	2%	1%
Gisborne	5	348	452	1%	1%
West Coast	0	0	0	0%	0%
New Zealand	**383**	**28,168**	**36,618**		

Source: JLL Research and Consulting; NZRVD 2016
*** Tasman-Nelson-Marlborough**

NZRVD 2016 Statistics

Ownership[2]

Overall the estimated units owned by five of the largest retirement village operators increased from a count of 12,953 in the NZRVD 2015 to 14,564 in the NZRVD 2016, a change of seven villages and 1,611 units. Since the inception of the NZRVD in 2012 these operators have increased unit numbers from 10,712 to 14,564, a change of 3,852 units, and a growth of 40 percent in four years.

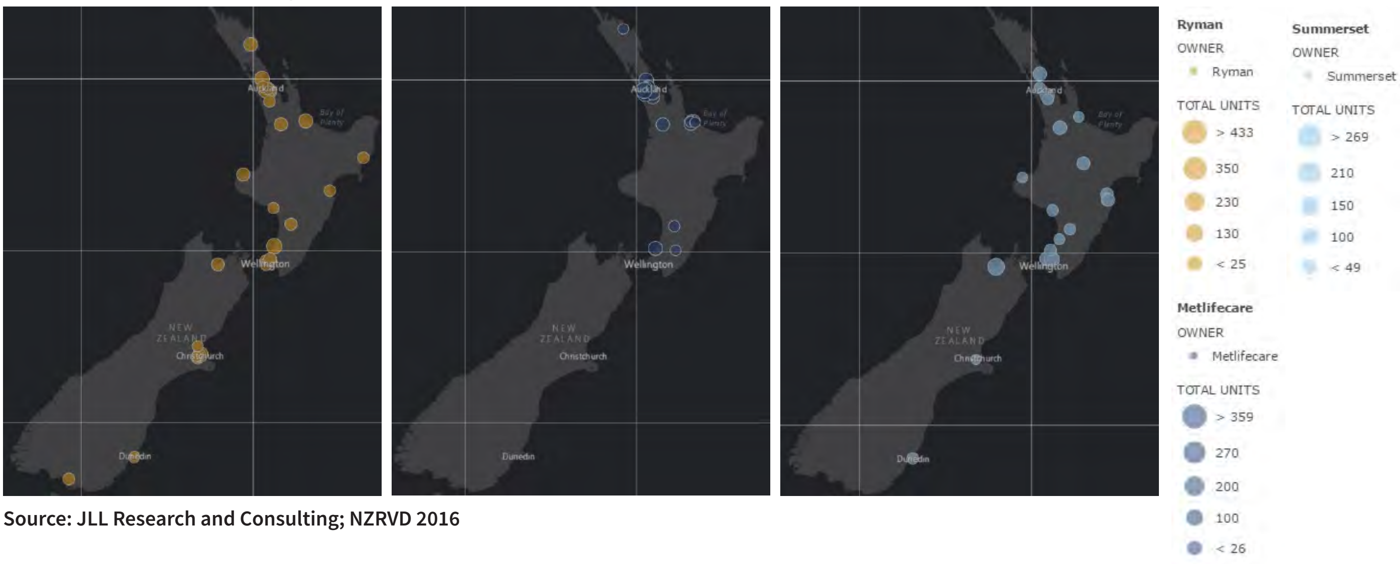
Table 5: Village Ownership – Five Largest by Estimated Unit Numbers

	NZRVD 2016			
Parent Companies	Est. Units	Villages	Average Size (units)	% Total Market Share
Ryman	5,254	30	175	19%
Metlifecare	3,995	25	160	14%
Summerset	2,609	20	130	9%
Bupa	1,520	35	43	5%
Oceania	1,186	28	42	4%
Total	**14,564**	**138**	**106**	**52%**

Source: JLL Research and Consulting; NZRVD 2016

Ryman has an estimated 19 percent of New Zealand's total retirement village units, followed by Metlifecare with 14 percent, resulting in Ryman and Metlifecare suppling 33 percent of New Zealand's total units. The five largest operators now supply 52 percent of New Zealand's total units, up from 49 percent in 2015.

Map 4: Unit and Village Distribution 2016 – Ryman, Metlifecare and Summerset



Source: JLL Research and Consulting; NZRVD 2016

[2] In the next whitepaper JLL will be including the Arvida Group within this section.

NZRVD 2016 Statistics

Supply within The Golden Triangle

The "golden triangle" incorporates the cities of Auckland, Hamilton and Tauranga. Five of the largest retirement village operators had an estimated 53 villages and 6,914 retirement village units within this area as at November 2016, thus 38 percent of villages and 47 percent of the units supplied by these operators are located within the golden triangle. As illustrated in the development pipeline section of this paper, the five operators' development pipeline is also heavily weighted within this golden triangle area.

Section Summary

The New Zealand retirement village ownership structure remains largely fragmented in 2016 with 175 separate owners of the 383 villages identified in the NZRVD 2016. Whilst Ryman, Metlifecare, Summerset, Bupa and Oceania have had a relatively consistent retirement village unit market share of between 49 and 50 percent until 2015, we witnessed a growth of two percent in total market share from 2015 to 2016. We believe that due to their significant land banking, strong development pipeline and the 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. We also expected to see Ryman and Metlifecare expanding their market share of the total industry as the significant development pipeline is delivered to the market.

Penetration Rates – 75+ years

Penetration rates provide an indication of an areas residents' 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 rate has already been detailed within this paper the following table provides the results at a regional level.

The highest penetration rates as at November 2016, and thus the largest proportion of the population aged 75+ years of age living within retirement villages, are located in the Bay of Plenty Region with 17.4 percent; the Auckland Region with 15.1 percent; and the Wellington Region with 14.3 percent. Overall the national penetration rate is 12.4 percent, with 13.5 percent in the North Island and 9.4 percent in the South Island.

Table 6: Penetration Rates (PR) by Region- November 2015 & 2016

	NZRVD 2015			NZRVD 2016		
	Est. Resident Count	Population - June 2015	Penetration Rates	Est. Resident Count	Population - June 2016	Penetration Rates
	Nov 15	75+ years	75 + PR	Nov 16	75+ years	75+ PR
Auckland	11,119	75,220	14.8%	11,827	78,260	15.1%
Bay of Plenty	3,987	22,640	17.6%	4,155	23,820	17.4%
Canterbury	3,904	39,430	9.9%	4,326	40,770	10.6%
Wellington	3,762	28,910	13.0%	4,308	30,070	14.3%
Waikato	3,007	27,650	10.9%	3,242	29,090	11.1%
Manawatu-Wanganui	1,703	17,760	9.6%	1,703	18,320	9.3%
Hawke's Bay	1,515	11,980	12.6%	1,537	12,440	12.4%
T/N/M*	1,322	11,700	11.3%	1,542	12,220	12.6%
Northland	1,214	12,700	9.6%	1,188	13,430	8.8%
Otago	1,040	14,780	7.0%	1,040	15,320	6.8%
Taranaki	755	8,640	8.7%	857	8,760	9.8%
Gisborne	439	2,810	15.6%	452	2,950	15.3%
Southland	432	6,960	6.2%	441	7,210	6.1%
West Coast	0	2,240	0.0%	0	2,360	0.0%
New Zealand	**34,199**	**283,420**	**12.1%**	**36,618**	**295,070**	**12.4%**
North Island	27,501	208,310	13.2%	29,270	217,150	13.5%
South Island	6,698	75,110	8.9%	7,349	77,860	9.4%

Source: JLL Research and Consulting; NZRVD 2015 & 2016. SNZ Medium Scenario Estimates 75+ Age Group
*** Tasman-Nelson-Marlborough**

Penetration Rates – 75+ years

The penetration rate has risen slightly from 12.1 percent in 2015 to 12.4 percent in 2016. The number of New Zealand residents aged 75+ years increased by approximately 11,650, a four percent growth, while the estimated number of retirement village residents increased by 2,419, a seven percent growth.

The North Island's PR increased from 13.2 percent in 2015 to 13.5 percent in 2016, with a growth of 1,769 retirement village residents, and 217,150 residents aged 75+ years. The South Island experienced a PR growth from 8.9 percent in 2015 to 9.4 percent in 2016, with a growth of 7,349 retirement village residents and 77,860 residents aged 75+ years. The gap between the penetration rates being experienced in the North Island versus the South Island is closing slightly.

The highest growth in unit numbers as a percentage of resident numbers was experienced in the Taranaki region with a growth of 102 retirement village residents and only 120 residents aged 75+ years. This increased the penetration rate from 8.7 percent in 2015 to 9.8 percent in 2016. Other regions which experienced notable unit growth compared to residents aged 75+ years included the Wellington Region which increased the retirement village resident count by 546, while the 75+ age group increased by 1,160, changing the PR from 13.0 percent in 2015 to 14.3 percent in 2016. Also the combined regions of Tasman, Nelson and Marlborough increased retirement village resident counts by 220, while the residents aged 75+ years increased by 520, increasing the PR from 11.3 percent in 2015 to 12.6 percent in 2016.

The penetration rates remain 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 13.5 percent 75 plus rate, compared to 9.4 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 17.4 percent, the Auckland Region is closing the gap with the variation between the two regions' 75 plus rate dropping from 2.8 percent in 2015 to 2.3 percent in 2016. This is due to the fact that whilst the Bay of Plenty Region's 75 plus year population increased by approximately 1,180 between 2015 and 2016, the number of retirement village units increased by only 168, resulting in the decline in the penetration rate from 17.6 percent in 2015 to 17.4 percent in 2016.

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 publicity regarding the industry as a whole and for 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 of increased equity values and improved liquidity have all 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

Penetration Rates – 75+ years

Declining Penetration Rate Drivers:

- Negative publicity – 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 record a continued growth in New Zealand's 75 plus penetration rate over the next 15 years, this is given the assumption that adequate retirement village unit supply reaches the market in order to fulfil demand. The following section takes a look at the impact of changing penetration rates on the demand for units.

Retirement Village Units - Demand Forecasts

The following table and graph 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 projections for the 75+ years age group at the national level for 2016/2068. Whilst the medium penetration rate of 12 percent reflects the current market conditions, we would expect over the years to see the market moving from the medium to the higher rates used in the following table.

Table 7: Estimated Retirement Village Unit Demand Forecasting 2016/2068

		Retirement Village Estimated Unit Demand				
Year	75+ years Population	PR 10%	PR 12%	PR 14%	PR 16%	PR 18%
2016	295,100	22,700	27,240	31,780	36,320	40,860
2018	315,300	24,254	29,105	33,955	38,806	43,657
2023	393,600	30,277	36,332	42,388	48,443	54,498
2028	485,800	37,369	44,843	52,317	59,791	67,265
2033	586,300	45,100	54,120	63,140	72,160	81,180
2038	698,000	53,692	64,341	75,169	85,908	96,646
2043	783,600	60,277	72,332	84,388	96,443	108,498
2048	855,600	65,815	78,978	92,142	105,305	118,468
2053	880,700	67,746	81,295	94,845	108,394	121,943
2058	904,300	69,562	83,474	97,386	111,298	125,211
2063	962,400	74,031	88,837	103,643	118,449	133,255
2068	1,086,600	83,585	100,302	117,018	133,735	150,452
Change	**791,500**	**60,885**	**73,062**	**85,238**	**97,415**	**109,592**
	15,221	**1,171**	**1,405**	**1,639**	**1,873**	**2,108**

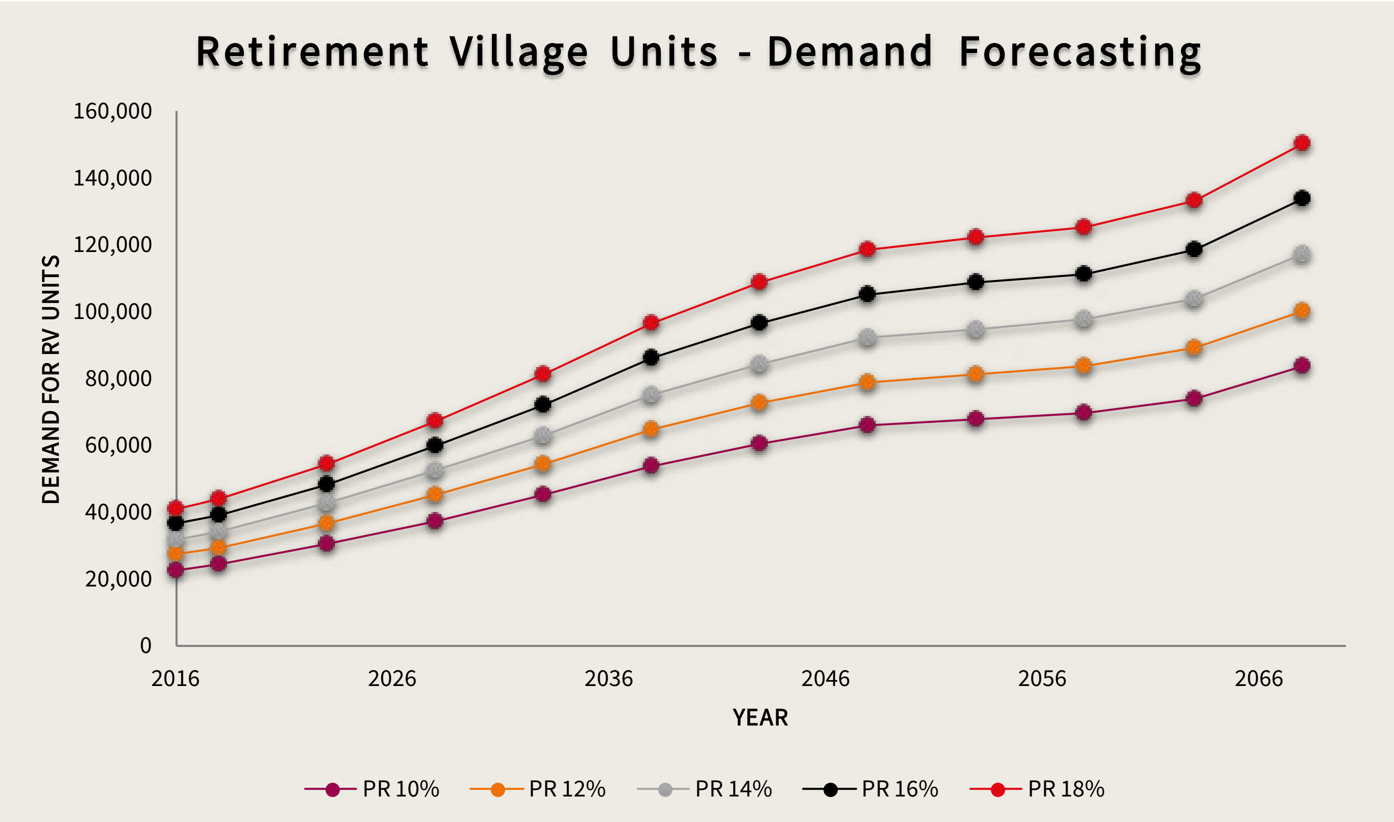
Source: JLL Research and Consulting; SNZ Medium Scenario Population Projections

Under a penetration rate of 12 percent New Zealand needs an additional 73,062 retirement village units 2016/2068, an average of 1,405 units per annum. The equivalent of 9.4 new villages of 150 units per annum.

If the industry can achieve a higher penetration rate of 16 percent the number of additional units needed 2016/2068 would be 97,415, 1,873 per annum. The equivalent of 12.5 new villages of 150 units per annum.

Retirement Village Units - Demand Forecasts

Graph 1: Estimated Retirement Village Unit Demand Forecasts 2016/2068



Source: JLL Research and Consulting; SNZ Medium Scenario Population Projections

As illustrated in the previous table and graph, the key driver of retirement village unit demand over the next 50 years will be generated by New Zealand's significantly ageing population. The highest growth rates for residents aged 75+ years are projected to occur between 2028 and 2043 – growing from a count of 485,800 in 2028 to 783,600 in 2043 – a growth of almost 300,000 residents aged 75+ years over a 15-year time frame.

Section Summary

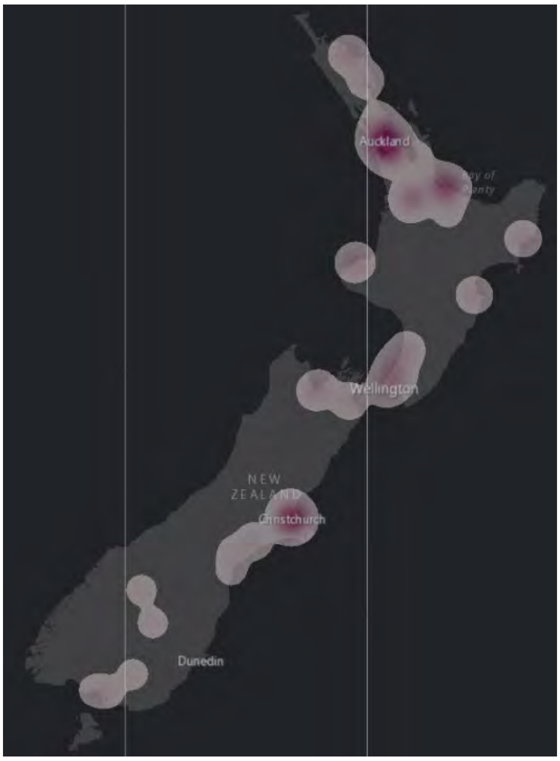
The previous table and graph illustrate not only the significant retirement village unit demand generated by New Zealand's ageing population, but also the impact changes in the penetration rate can make to the demand side of the equation. We now turn our attention to the supply side of the equation and summarise the results of the development pipeline data captured within the NZRVD 2015.

Development Pipeline – Supply Side

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 under way. The database records planning status, planned unit numbers and type, and any comments regarding the overall development.

The following maps illustrate the geographical distribution of the estimated units within the development pipeline at currently operating villages and new villages. Of the 383 NZCO registered retirement villages, as at the end of 2016, 104 had some level of development pipeline (27 percent). Compared to 83 villages of the 376 recorded in the end of 2015 NZRVD (22 percent), 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).

Map 5: Currently Operating Villages



Map 6: New Villages

Source: JLL Research and Consulting; NZRVD 2016 – Development Pipeline

Whilst the expansion plans at currently operating villages remains significant, the new village development pipeline is stronger as at November 2016 with 68 new villages, compared to 65 as at November 2015, and 51 new villages recorded in November 2014 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 2016 contains estimated unit numbers for 102 of the 104 currently operating villages at which development pipeline has been identified. The database also contains estimated unit numbers for 59 of the 68 new villages identified in the development pipeline.

Development Pipeline – Supply Side

Table 8: Development Pipeline Summary Table - NZRVD 2016

	Currenty Operating Villages			New Villages			Total	
	Current Villages with Pipeline	No. Villages with Unit Numbers in NZRVD	Est. Total Unit Numbers	Number of New Villages	No. Villages with Unit Numbers in NZRVD	Est. Total Unit Number	Units	% of Total Pipeline
Auckland	31	31	2,572	25	24	4,383	6,955	43.9%
Bay of Plenty	12	12	979	5	3	364	1,343	8.5%
Canterbury	21	19	1,381	5	4	781	2,162	13.6%
Gisborne	2	2	54	0	0	0	54	0.3%
Hawke's Bay	2	2	104	0	0	0	104	0.7%
Manawatu-Wanganui	2	2	28	3	2	108	136	0.9%
T/N/M*	5	5	248	1	1	280	528	3.3%
Northland	5	5	472	5	3	388	860	5.4%
Otago	3	3	50	8	7	873	923	5.8%
Southland	2	2	1	2	2	59	72	0.5%
Taranaki	3	3	188	1	1	37	225	1.4%
Waikato	7	7	360	9	8	1,134	1,494	9.4%
Wellingon	9	9	561	4	4	430	991	6.3%
New Zealand	**104**	**102**	**7,010**	**68**	**59**	**8,837**	**15,847**	**100.0%**

Source: JLL Research and Consulting; NZRVD 2016, *T-N-M = Tasman-Nelson-Marlborough

When placed in a regional context the Auckland region captures approximately 43.9 percent of the development pipeline recorded as at the end of 2016, with 6,955 units, followed by 13.6 percent and 2,162 units in Canterbury, and 9.4 percent and 1,494 units in Waikato. These three regions captured approximately 67 percent of New Zealand's retirement village unit development pipeline.

There is a notable disparity between the distribution of New Zealand's population aged 75+ years across the regions and the development pipeline. For example, the Auckland Region had 27 percent of the population aged 75+ years as at June 2016, while the region captured 44 percent of the development pipeline units recorded in the JLL NZRVD 2016. While the region of Manawatu-Wanganui captured six percent of the population aged 75+ years in 2016, but only captures 0.9 percent of the development pipeline units. Likewise, the Hawkes Bay Region captures four percent of the population aged 75+ years but only 0.7 percent of the development pipeline units recorded in the NZRVD 2016.

In Auckland the land banking of recent years has slowed and the delivery of villages and units is underway, with 545 units delivered to market in 2016 and 6,955 units recorded in the development pipeline of the NZRVD 2016, and whilst not all of the pipeline will be delivered to market, there is the potential for short to median term oversupply in the region.

To illustrate the scale of the potential oversupply in the Auckland Region in the short to median term we have calculated that for the region to absorb an additional 1,000 retirement village units over the next seven years, the medium scenario forecasts for the 75 plus age group from SNZ would need be realised as well as the penetration

Development Pipeline – Supply Side

rate for the region would need to increase from 15.1 percent in 2016 to 19.2 percent by 2023. The calculations have been provided in table nine.

It should be noted that since 2012 the 75+ penetration rate in the Auckland Region has risen from 12.4 percent to 15.1 percent over a five-year period, an increase of 2.7 percent, therefore achieving an increase of 4.1 percent over seven years is achievable. Also if retirement village units prove difficult to sell, operators are likely to delay further stages in the villages development until the market can absorb the units being built.

Table 9: Auckland Region – Development Pipeline Absorption Penetration Rates Calculations

	Auckland Region				
	75+ Population	Additional RV Units	Additional RV Residents	Total RB Residents	75+ Years Penetration Rate
2016	78,260			11,827	15.1%
2017	81,810	1,000	1,300	13,127	16.0%
2018	85,360	1,000	1,300	14,427	16.9%
2019	90,126	1,000	1,300	15,727	17.5%
2020	94,892	1,000	1,300	17,027	17.9%
2021	99,658	1,000	1,300	18,327	18.4%
2022	104,424	1,000	1,300	19,627	18.8%
2023	**109,190**	**1,000**	**1,300**	**20,927**	**19.2%**

Source: JLL Research and Consulting;

To avoid an oversupply scenario within the Auckland Region the industry will need to benefit from both an aging population but also a growth in the popularity of retirement village living, with at least 19.2 percent of the population aged 75 plus years choosing to living in this accommodation option by 2023.

The following section takes a look at the estimated development pipeline of the five largest village 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 2016, are displayed in the following table. As summarised, the five largest village operators in New Zealand have an estimated development pipeline of 8,550 units, of which 43 percent are located at currently operating villages and 57 percent at new villages.

Compared to the results of the NZRVD 2015, the five largest village operators' development pipeline has dropped from a count of 9,357 and 58 percent of the national development pipeline in 2015, to 8,550 units and 54 percent of the national development pipeline in 2016.

Development Pipeline – Supply Side

Map 7: Development Pipeline – Largest Operators

Source: JLL Research and Consulting; NZRVD 2016

Table 10: Development Pipeline

	Development Pipeline Units - NZRVD 2016		
	Currently Operating Villages	New Villages	Total
Ryman	862	1,602	2,464
Metlifecare	1,029	765	1,794
Summerset	872	1,947	2,819
Bupa	380	376	756
Oceania	514	203	717
Total	**3,659**	**4,893**	**8,550**

Source: JLL Research and Consulting; NZRVD 2016

The NZRVD recorded a development pipeline of 862 units at Ryman's currently operating villages and 1,602 units at new Ryman villages in the planning or commencement stages of development. Thus creating a development pipeline of 2,464 units, which is 47 percent of Ryman's 2016 currently operating unit total.

Summerset also has a strong development pipeline in place of 2,819 units of these, 1,947, or 69 percent are located at new villages rather than current operating villages.

Summerset has announced a build rate of 400 units per annum from FY 2016 and beyond, up from 300 in FY 2015.

Metlifecare has an estimated development pipeline of 1,794 units, 1,029 located at currently operating villages and 765 at two new villages – as at November 2016.

Oceania is focusing on a larger portion of its development pipeline units at currently operating villages, while Bupa has a relatively evenly split focus on developing both current operating and new villages.

Of the 8,550 units within the development pipeline for the five largest village operators, 5,905 (69 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.

Development Pipeline – Supply Side

Section Summary

Operating Villages with Development Pipeline

- 104 villages; 27 percent of the 383 operating and NZCO registered villages in New Zealand
- A total of 7,010 units in the pipeline (estimated unit numbers captured for 102 of the 104 villages)
- The Auckland region captured 2,572 of the registered villages development pipeline units, 37 percent of the total units (down 4 from 41 percent of 2015), while the Canterbury region captured 1,381 or 20 percent of the total units (up from 13 percent of 2015)

New Build Villages

- 68 villages within the "new build" villages section of the NZRVD, up from 65 as at November 2015
- There was a total of 8,837 potential units recorded for 59 of the 68 villages (estimated units numbers captured for 59 of the 68 villages) – down from 10,202 recorded as at November 2015
- 4,383 of the new build units, or 50 percent of the total new build development pipeline, is situated in the Auckland Region (down from 54 percent in 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.

New Zealand Aged Care Database - NZACD 2016

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 November. The results indicate a decline in aged care facility numbers from 673 in 2015 to 667 in 2016, over this time period the data indicates that 13 facilities opened while 19 closed – generating a net loss of six facilities.

Table 11: Facility and Bed Numbers - Nationally

Year	Facilities	Rest Home	Hospital	Dementia	Total
2014	669	16,693	13,493	4,404	34,591
2015	673	16,506	14,331	4,647	35,484
2016	667	17,799	15,286	5,155	38,240
Count Change 2015/2016	**-6**	**1,293**	**955**	**508**	**2,756**
% Change 2015/2016	**-1%**	**8%**	**7%**	**11%**	**8%**

Source: JLL Research and Consulting; NZRVD 2016

The bed numbers recorded in the NZACD 2016 indicate a growth from 35,484 in 2015 to 38,240 in 2016, a growth of 2,756 beds, a change of 7.8 percent. Over the same time period the New Zealand population aged 85+ years increased by approximately 2,950. The bed mix is approximately 47 percent rest home, 40 percent hospital and 13 percent dementia. The following table and graph illustrate the distribution of aged care beds by region.

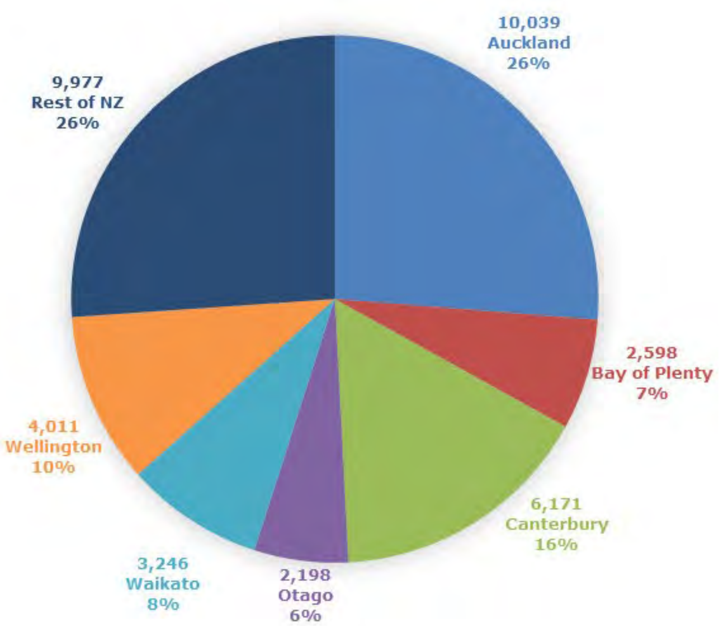
New Zealand Aged Care Database - NZACD 2016

Table 12: Regional Distribution Bed Count 2014/2016

				2015/2016	
Region	**2014**	**2015**	**2016**	**Change**	**% Change**
Auckland	9,256	9,746	10,039	293	3.0%
Waikato	2,919	3,079	3,246	167	5.4%
Bay of Plenty	2,395	2,491	2,598	107	4.3%
Wellington	3,591	3,710	4,011	301	8.1%
Canterbury	5,379	5,320	6,171	851	16.0%
Otago	1,980	2,007	2,198	191	9.5%
Rest of NZ	9,071	9,131	9,977	846	9.3%
Total	**34,591**	**35,484**	**38,240**	**2,617**	**7.4%**

Source: JLL Research and Consulting NZACD 2014-2016

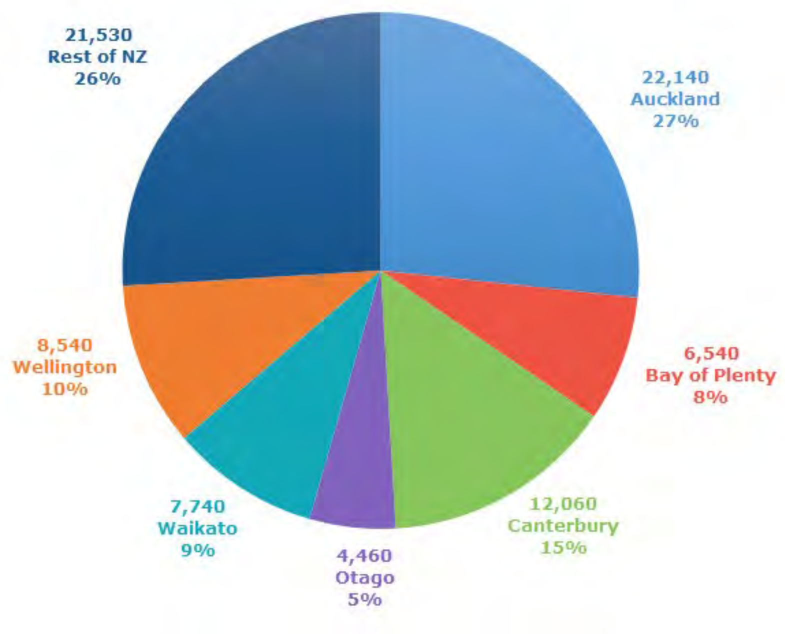
Graph 2: Aged Care Bed Distribution 2016



Source: JLL Research and Consulting

New Zealand Aged Care Database - NZACD 2016

Graph 3: Population Aged 85+ Years – June 2016



Source: JLL Research and Consulting; Statistics New Zealand

Regional distribution indicates that all New Zealand regions have experienced aged care bed number growth. The Canterbury Region experienced a decline from 2014 to 2015 but had a significant growth rate of 16 percent 2015/2016.

The distribution of aged care bed numbers by region is closely aligned with the distribution of New Zealand's population aged 85+ years. For example, the Auckland Region had an estimated count of 22,140 residents aged 85+ years as at June 2016, accounting for 27 percent of the total population aged 85+ years in New Zealand. While the Auckland Region contains approximately 10,039 aged care beds, 26 percent of New Zealand's total aged care beds.

Aged Care Facilities within Retirement Villages

Of the 383 villages identified within the NZRVD 2016, 278 or 73 percent contained an aged care facility, also 24 of the retirement villages without an aged care facility have one in the development pipeline.

An estimated 20,288 aged care beds are located within aged care facilities located within retirement villages, this is approximately 53 percent of the total aged care industry's bed count, an increase of seven percent from the estimated 46 percent in 2015.

Section Summary

Research into the New Zealand aged care industry has highlighted a number of challenges, including the difficulties of the current funding model and a workforce which is insufficient to meet demand, particularly in the area of higher quality care and services.

There was a net loss of six facilities in the JLL NZACD 2015/2016, however the number of beds provided increased by eight percent. This can be explained through the evidence that small operators are struggling because they do not have scale, modern systems or a diversified revenue stream – as identified by Forsyth Barr research in 2016.

Forsyth Barr in the Golden Days: Issue 6 March 2016 also identified a lack of aged care beds being built that are not part of a retirement village. Most standalone new beds are additions or refurbishment with greenfield care development virtually non-existent. This is particularly the case in Auckland due to current land values.

The DHB Shared Services forecasts a demand for 1,260 new beds per annum over the next 10 years, 430 in the Auckland Region and 200 in Canterbury. Therefore, with a majority of new aged care beds being delivered by retirement village operators the ability to meet demand for new aged care beds is currently largely resting on the retirement village industry. This may in turn drive up demand for retirement village units as potential residents try and future-proof their aged care needs for rest home, hospital and dementia services.

Industry Trends – 2016/2017

Industry Trends 2016/2017

The following section takes a look at the industry trends we have noticed in 2016, what we believe is likely to happen in 2017, and the most prominent risk factors for the industry in 2017.

In 2016 we have noticed a significant push forward by operators to move along in the development process to get units delivered to market. We see this resulting in a notable number of units coming onto the market over the next few years. These units will be located at currently operating villages as well as a notable number of new villages.

We see interest in the New Zealand Retirement Village sector from international investors, however, the lack of product available for sale in New Zealand is making the transition for these players to enter the New Zealand market extremely difficult. Current village operators are looking at holding, expanding, and/or upgrading villages rather than transacting them.

We also see a number of first time developers scoping out the potential for a village on land they own or have the ability to purchase.

There has also been a decline in interest in aged care facilities within retirement villages due in part to the current funding model placing constraints on the feasibility of new build operations. Also operators are looking at different weekly maintenance fee options, such as individual payments for healthcare call outs.

Development and growth in unit numbers remains a strong focus for the larger village operators, with the push for development stronger than ever in 2017.

We are seeing notable advancements in village development techniques, location analysis, design ideas and profitability which are driven by competition, resident demand, profit potential and a number of highly skilled, internationally experienced professionals being drawn into the industry from a range of industries including consultancy, property development, architecture, strategy and location analysis.

Retirement villages continue to have a positive impact on the general housing market, with an estimated 2,419 residents entering a retirement village in the year end November 2016, meaning approximately 1,861 residential dwellings have been freed up for the general market. This provides housing to families in locations which already have developed infrastructure such as schools, roading and recreational facilities.

Another area of the economy the industry will continue to impact is employment, with a retirement village

Industry Trends – 2016/2017

of 200 units generating approximately 80 employment opportunities. The employee counts in Statistics New Zealand's "Aged Care Residential Services" category experienced a growth from 25,860 in 2000 to 33,600 in 2016 – a growth of 30 percent.

JLL sees the main potential risks for the industry in 2017 as including an oversupply in the Auckland Region in the short to medium term, the holding costs of land banking and miscalculations in location analysis. Other risks include negative publicity regarding the ORA, and potential for housing market value to plateau or decline slightly in some areas thereby reducing potential residents' equity holdings and/or the ability to release that equity. We also see the increasing vulnerability of the owners and residents at older villages, with some having potential for increasing vacancy rates and time frames for the resale of units.

We are also seeing an increase in the average age of residents within villages, this is driven by a number of factors including village operators increasing the age of entry requirements, as well as residents themselves living longer and healthier and delaying the age of entry. There may also be an impact in the longer term from the potential rising of the age of eligibility for the New Zealand Superannuation Fund, which may impact potential residents' ability to pay the weekly maintenance fees.

From a potential retirement village residents' point of view village operators should continue to address the mistrust and complexity of the ORA, residents' privacy within the village, and the segregation of village residents from the rest of the community. The last point can in part be addressed by providing a mixed use development which includes community recreation, early education, retail and medical services alongside a retirement village.

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

Summary

The JLL Valuations and Research and Consulting teams have a wealth of data, knowledge and location analysis tools and software to deliver a range of services for the retirement village industry. An industry that has the potential for not only remarkable growth but it also plays an important role in providing accommodation options for New Zealand's ageing population and contributing to the nation's general economic growth.

The development and completion of the NZRVD for the fifth 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 industry. We hope this whitepaper proves to be a valuable resource and we look forward to presenting the industry with the NZRVD 2017 and the corresponding whitepaper.

Commission for Financial Capability

Diane Maxwell, Retirement Commissioner

01 December 2016

There are many challenges facing New Zealand as our population ages, among them the growing number of people reaching retirement who are renting, as well as the increasing need for aged residential care later in life. Both will have a longer-term impact on retirement villages.

Most people who choose to live in a village currently fund the move by selling their family home. But home ownership rates are at their lowest level in almost 60 years, and by 2030 around 200,000 people aged over 65 will not own the place where they live. This will create a demand for rental options that are suitable for older people, offering an opportunity to operators who anticipate these future needs and can adapt quickly.

As our population ages, there will also be some stress on the country's financial resources and significantly more stress on the housing stock. The idea of downsizing, or what we prefer to call 'right-sizing', including by moving to a retirement village, can be a convenient solution for asset-rich but income-poor retirees.

However, right-sizing requires another buyer to want to, or be able to, up-size. Given the sheer number of older people who could be looking to do this at around the same time, the potential for realising cash from home assets may not be as great as anticipated and village operators may need to consider offering a wider range of occupancy options than they do currently.

The Ministry of Social Development has highlighted the rising demand for aged residential care as baby boomers reach 85. Between 2025 and 2030 the number of people needing some form of residential care is expected to grow by more than 20%, or over 2000 people, a year, reaching up to 58,000 beds by 2030 (MSD: 'Homeless Baby Boomers').

Catering for this demand will require the creation of an additional 100-bed facility every two and half weeks for those five years. Retirement village operators currently supply around 6% of the residential care beds through an occupation right agreement model and this approach to aged care is expected to grow.

The Commission has worked hard over the past year to help retirees of the future, and today, understand these issues and make better decisions about retirement village living. We have listened to retirees' strong concerns, such as access to care in a village, or the fairness of a village resident's exposure to capital loss if the property market depreciated.

Our 'Thinking of living in a retirement village?' seminar series has continued to grow and reach new parts of the country. We have produced an improved version of our guide 'Thinking of living in a retirement village?' and are currently revising our online resources. We have organised a series of forums and workshops for residents, hosted an industry stakeholders' forum and attended conferences and forums organised by the operators, the Retirement Villages Association and Aged Care.

This work has enabled us to keep abreast of issues and trends that are emerging in the industry and build relationships with all involved, so that we can be satisfied the retirement village regime is protecting the interests of residents and intending residents.

We conduct regular monitoring activities covering a specific issue each time. The last one focused on the disputes process and led to recommendations to change the Retirement Villages Code of Practice. The next one will investigate the effectiveness of legal advice for residents.

The volume of disclosure information can overwhelm some intending residents. The Commission encouraged the Retirement Villages Association to produce a summary of key terms about the main financial considerations for intending residents. That document is being used by most RVA members in a trial through to next year; we hope it will then become part of the documentation that all RVA members are required to give intending residents.

Retirement Village Association – Comment 2016

When JLL released the 2015 whitepaper into retirement villages and aged residential care, we noted that resident demand has been driven by improved offerings from operators, as well as a desire to future-proof their care needs, improve personal security (however that might be defined) and release equity in the family home.

As record real estate prices continue, this last reason has become even more overt, and the increase is not just being driven by the Auckland market. The "Auckland effect" is seeing property prices rise exponentially in the regions close to Auckland (Whangarei, Hamilton, Tauranga) but further afield. Wellington, for example, has seen property increase in value as investors move outside the Auckland market.

It's no surprise then that Auckland (44%), Canterbury (14%) and the Bay of Plenty (9%) represent around 67% of the country's village development pipeline. It's good to see all regions, with the continued exception of the West Coast of the South Island, are getting a share of village development. The corporate operators are well-represented in the pipeline, but so too are the independent developers and not-for-profits; the latter sector are active in provincial New Zealand – Cambridge, Blenheim, Invercargill, and Central Otago to name just a few.

In the 2015 whitepaper I noted that social researchers CRESA had shown that around 30% of retirement village residents released $100,000 or more of equity when they sold their home and moved to a village. CRESA updated this research in 2016[3] to take into account the equity release effects of down-sizing in general, and included people who had sold and moved to a smaller own-your-own unit, as well as 450 people who had moved to a village.

[3] Saville-Smith, K, James, B and Rehm, M – Equity Release – realities for older people, August 2016

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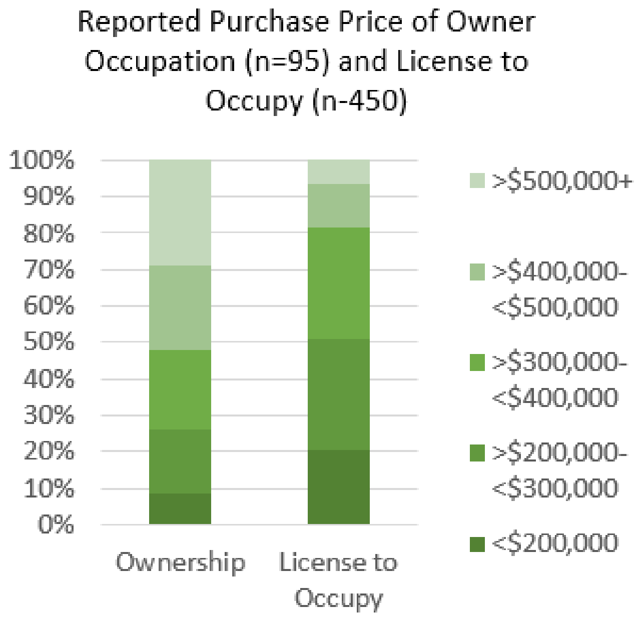

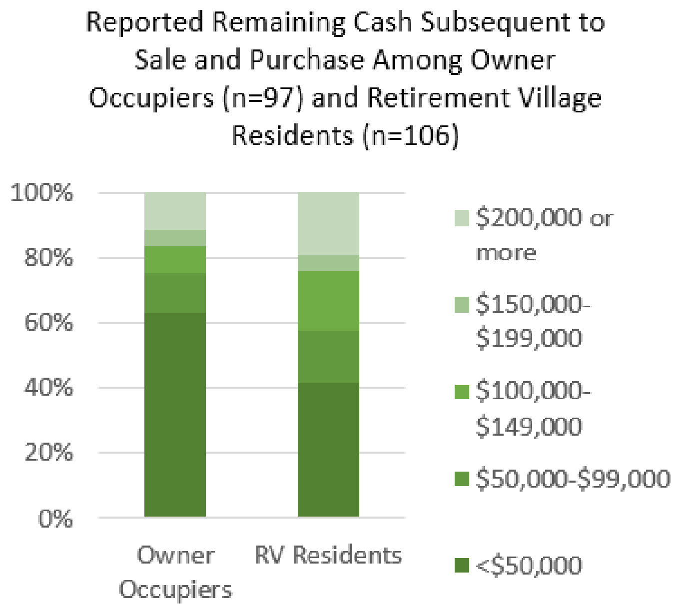

The charts above show that not only are Occupation Rights Agreements in villages significantly cheaper than purchasing one's own unit, retirement village residents, on the whole, realised more equity released when they made the move. Around 7% of residents paid more than $500,000 compared with 30% of own-your-own unit purchasers, which is reflected in the fact that 20% of residents realised more than $200,000 equity release compared with just 6% of unit owners.

It's gratifying to see that 36,618 older New Zealanders now call a retirement village "home". This figure represents a penetration rate of 12.4% of the +75 population, a similar level as the last two years.

I've mentioned the "Auckland effect" on equity release, but it's also worth noting that the public seminars run by the Retirement Commissioner as part of her statutory obligation to educate people about retirement village life are turning out to be a stunning success story. The seminars started in mid-2015, and by the end of 2016 more than 40 will have been hosted by the Commission from Kerikeri to Invercargill. In general, between 80 to 100 or more people attend each forum; we estimate that we've spoken to around 3,800 people and the RVA has sent out some 500 information packs to intending residents who've requested them following a forum. Feedback from RVA members shows that they are getting informed questions from intending residents who've attended a local forum. The series will continue in 2017 so long as there's demand. We are delighted to be involved as a partner in these events.

Our consumer protection regime is also getting attention from overseas jurisdictions. With an increasing ageing population and problems providing filial care at home, many Asian countries are finding that retirement villages, especially with a continuum of care, are the solution. They are where we were around 25 years ago, and the NZ regulatory regime is of considerable interest. Not only are we hosting study tours for Asian operators to learn from our policies and procedures, there is an increasing interest from regulators in the legislation. I have had the opportunity to speak at several international conferences this year on our regulatory regime, and have fielded questions from operators and regulators in jurisdictions as diverse as Australia, the United Kingdom, Hong Kong, Thailand and China for assistance in developing an industry self-management regime that mirrors ours. This is the evidence for our claim that our regime is "world-leading".

As 2016 closes, it's fair to say that the retirement village industry is in very good heart, with demand continuing to exceed supply. Villages are now

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accepted as mainstream housing options for older people, and the RVA continues to lobby central and local government to get resource planning regimes to accept that villages, on all fronts, represent part of the solution to the country's acute housing needs.

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