INDUSTRY REPORT OD5534

Retirement Villages in Australia

Living it up: Villages are improving and expanding offerings to entice more demanding baby boomers

Arna Richardson | January 2023

Contents

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About This Industry

Industry Definition

Retirement villages provide residential aged-care services for independent residents and for people requiring low-level care. Residents typically live in self-contained facilities in a community environment. The industry excludes firms that provide higher care, inpatient nursing and rehabilitation services.

Major Players

There are no major players in this industry

Main Activities

The primary activities of this industry are:

Accommodation

Meal services

Ancillary services

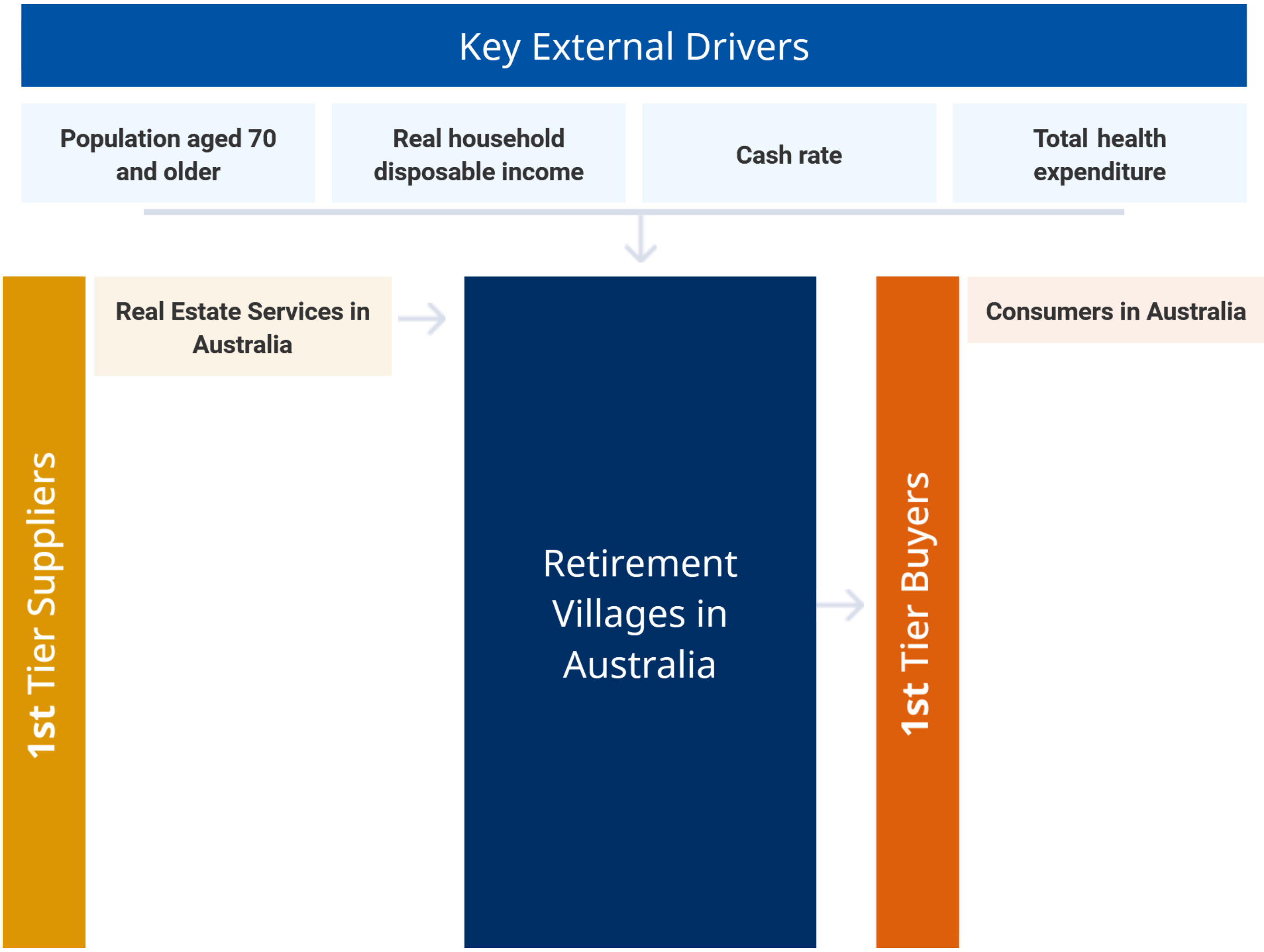
The major products and services in this industry are:

Accommodation

Meal services

Ancillary services

Supply Chain



SIMILAR INDUSTRIES

Child Care Services in Australia
Complementor

Crisis and Care Accommodation in Australia
Complementor

Personal Welfare Services in Australia
Complementor

Aged Care Residential Services in Australia
Competitor

RELATED INTERNATIONAL INDUSTRIES

Retirement Communities in the US

Retirement Homes in the UK

Altenheime

Industry at a Glance

Key Statistics

$5.1bn
Revenue

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
3.0%	3.5%	

$164.3m
Profit

Annual Growth 2018–2023	Annual Growth 2018–2023
-3.8%	

3.2%
Profit Margin

Annual Growth 2018–2023	Annual Growth 2018–2023
-1.3pp	

458
Businesses

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
1.6%	1.0%	

29,504
Employment

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
2.5%	2.3%	

$2.0bn
Wages

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
3.6%	4.4%	

Key External Drivers

% = 2018–23 Annual Growth

3.4%
Population aged 70 and older

1.9%
Real household disposable income

4.3%
Total health expenditure

15.6%
Cash rate

Industry Structure

POSITIVE IMPACT

Life Cycle
Growth

Capital Intensity
Low

Barriers to Entry
High / Steady

Revenue Volatility
Low

Concentration
Low

Industry Globalization
Low / Increasing

MIXED IMPACT

Regulation & Policy
Medium / Increasing

Technology Change
Medium

NEGATIVE IMPACT

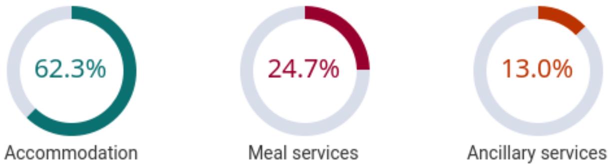
Industry Assistance
Low / Steady

Competition
High / Increasing

Key Trends

- Operators have increased the number of residents per establishment to grow economies of scale
- Complex contracts and high fees charged by large operators have spurred greater policy oversight
- Several larger industry companies have acquired retirement villages from small independent players
- Rising health standards may allow residents to stay longer in establishments
- Industry participation is forecast to continue growing, as supply will need to expand to meet demand
- Larger operators are projected to expand through acquisitions and building more facilities
- Growth in the population aged 70 and over has increased the potential market for industry players

Products & Services Segmentation



Retirement Villages
Source: IBISWorld

Major Players

There are no major players in this industry

SWOT

STRENGTHS

High & Steady Barriers to Entry
Growth Life Cycle Stage
Low Volatility
Low Imports
Low Capital Requirements

WEAKNESSES

Low & Steady Level of Assistance
High Competition
Low Profit vs. Sector Average
High Customer Class Concentration
High Product/Service Concentration

OPPORTUNITIES

High Revenue Growth (2023-2028)
Population aged 70 and older

THREATS

Low Revenue Growth (2018-2023)
Low Performance Drivers
Cash rate

Executive Summary

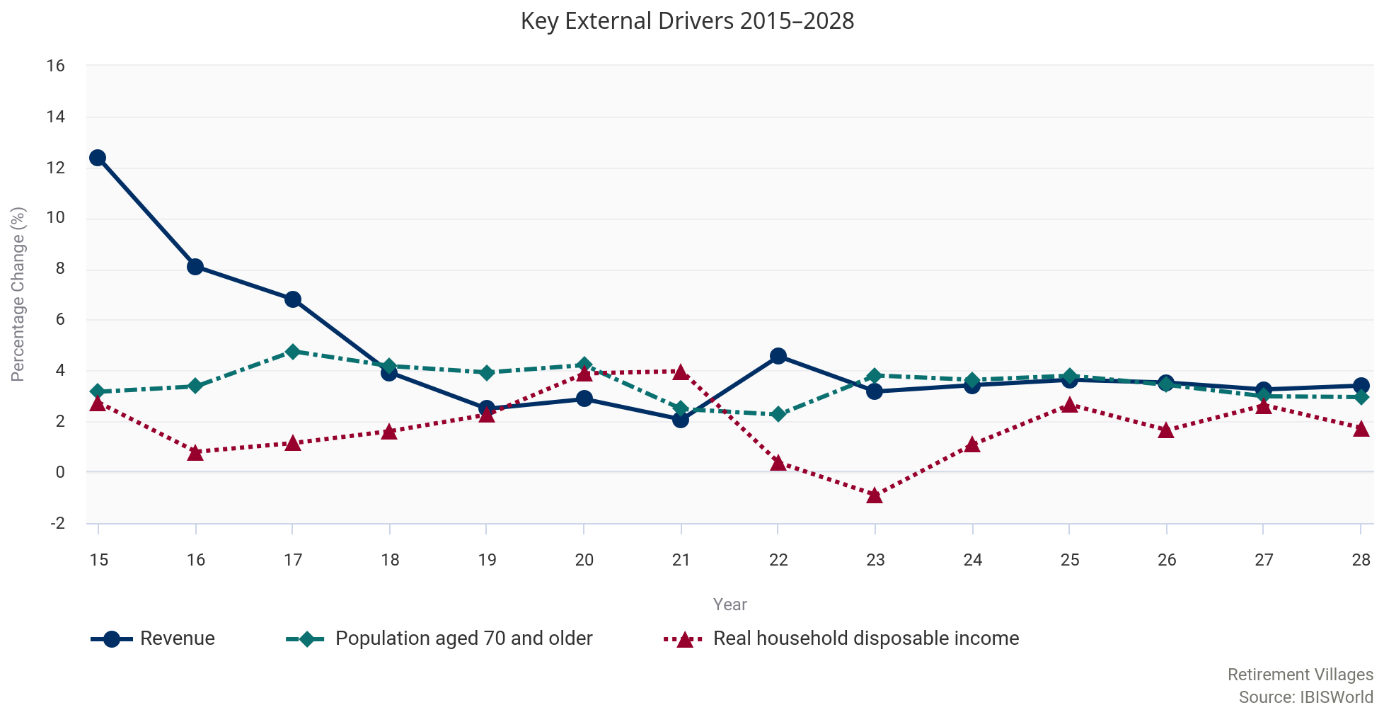
Living it up: Villages are improving and expanding offerings to entice more demanding baby boomers

Residents are often independent and choose to live in retirement villages for lifestyle reasons. Many retirement villages provide additional services for residents, like meal preparation, laundry and cleaning services. Higher customer expectations are gradually changing the industry's product offerings. This trend has led to variation in facilities, including the construction of luxury resorts in coastal locations for baby boomers wanting a sea change and new vertical higher-density facilities in inner-city locations. Other facility operators are providing integrated product offerings, including co-located retirement villages and aged-care facilities.

A rise in deferred management fees and maintenance fees has boosted revenue in recent years. However, increasing fees have also attracted public concern and greater regulatory oversight, which has weighed on profit margins. In response, retirement village operators have introduced new funding models, including pay-as-you-go models, to gradually move away from the traditional deferred-fee funding model. New business models are also catering to changing expectations and the increasing desire for 'housing for life' options that provide a continuum of care. In view of these variables, revenue has grown at an annualised 3.0% through the end of 2022-23, to $5.1 billion, including a bump of 3.2% in 2022-23 alone.

The coming years are looking positive for retirement village operators. Australia's ageing population is set to underpin significant demand growth. In response, retirement village operators will roll out new retirement village options integrated with various lifestyle, community, health and wellness offerings that reflect the increasingly diverse needs of its customer base. These will include a growing number of retirement villages that offer assisted living and care services. Widespread reform of Australia's wider aged-care sector following the Royal Commission into Aged Care Quality and Safety will impact the operating environment, in addition to providing an opportunity to provide alternative age-appropriate accommodation for Australia's ageing population. Revenue is poised to increase at an annualised 3.5% through the end of 2027-28, to $6.1 billion.

Industry Performance



Key External Drivers

Population aged 70 and older

Most residents that live in retirement villages are aged 70 and older. Growth in this demographic expands the potential pool of residents for retirement village operators. Australia's ageing population is underpinning rising demand for purpose-built retirement communities with a low-maintenance lifestyle offering. Australia's population aged 70 and older is increasing by 3.8% in 2022-23, providing an opportunity for expansion.

Real household disposable income

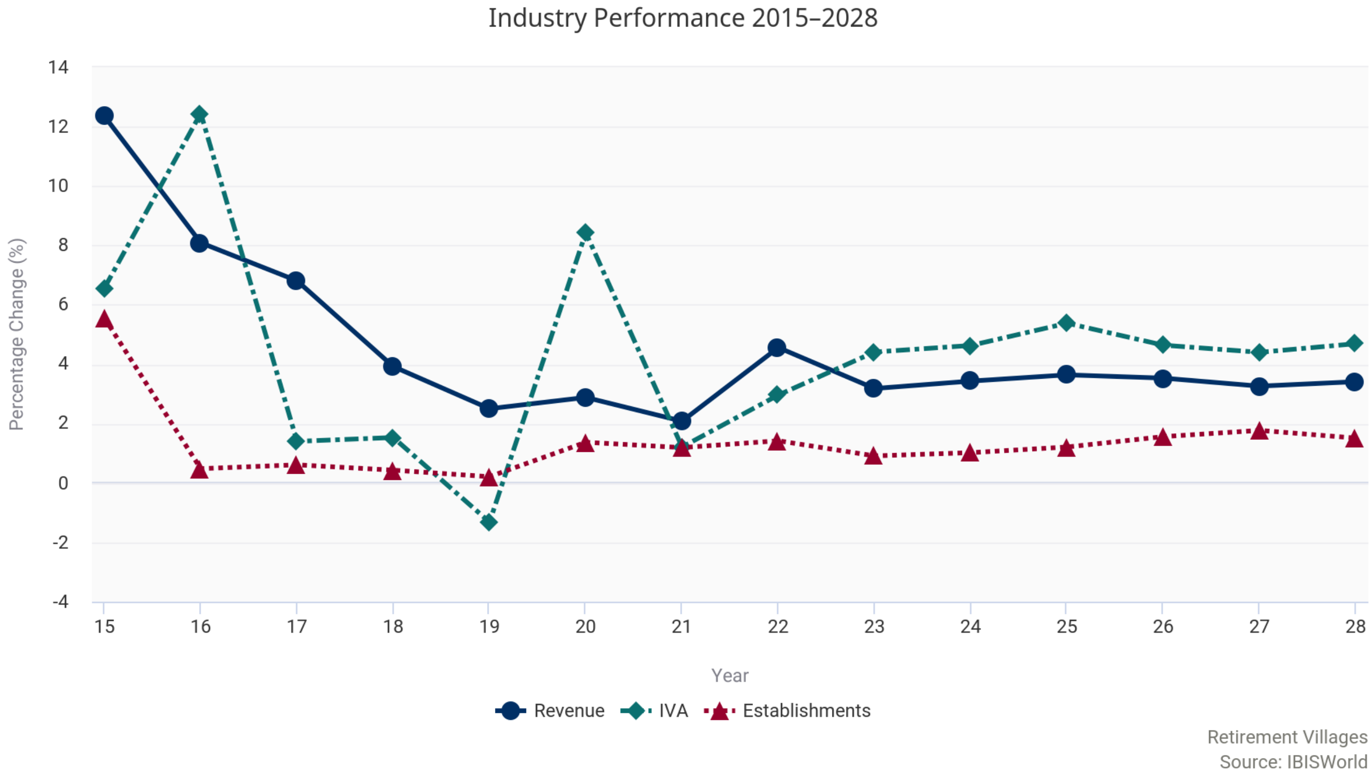
Real household disposable income refers to income available to be spent on both necessary and discretionary goods and services, including services provided at retirement villages. Residents often dedicate a large share of their pensions towards ongoing fees. Higher disposable incomes can allow residents to increase their expenditure on extra services. Real household disposable income is falling by 0.9% in 2022-23, in the midst of a cost of living crisis.

Cash rate

Interest rates influence the cost of borrowing capital to fund retirement village construction projects, building expansions and equipment acquisitions. When interest rates are high, retirement village operators may delay constructing new facilities or cancel expansion plans altogether, threatening the industry's performance. The cash rate will rise steeply, by 2.93 percentage points, in 2022-23 as the Reserve Bank tries to control inflation.

Total health expenditure

Growth in total health expenditure can indirectly assist retirement village operators. People in older demographics that receive health assistance can prolong their stays in retirement villages, delaying the need to transfer to higher levels of care at residential aged-care facilities. Total health expenditure is rising by 4.6% in 2022-23, supporting growth.



Current Performance

Revenue has grown at an annualised 3.0% through the end of 2022-23, including growth of 3.2% in 2022-23 alone, to total $5.1 billion, with profit margins declining to 3.2%.

Australia's ageing population is dictating the industry's performance

- Retirees are seeking purpose-built seniors housing, whether it be age-friendly retirement villages, residential aged-care facilities or rival land lease communities.
- The population aged 70 and over is growing faster than the overall population.
- The population aged 70 and over now accounts for a greater proportion of the total Australian population than it did five years ago.
- The proportion of the population aged 70 and over will continue expanding for the foreseeable future, raising the need for age-appropriate accommodation options.

Rising expectations and ages are changing the face of the industry

- Higher resident expectations are gradually changing the industry's offerings.
- Traditionally, low-density individual dwellings arranged around a community centre were the standard offering. These dwellings were set in a lifestyle community complex on a large site and designed for self-sufficient Australians aged 55 and over.
- Today, the industry offers a growing number of serviced apartments, vertical villages and integrated villages co-located with residential aged-care facilities designed to provide residents with a continuum of care as they age.
- The average age of a retirement village resident is increasing, and is currently 81 years old.

Heightened public scrutiny is influencing the industry's operating environment

- Weak sentiment towards the Retirement Villages industry amid a scandal over complex fee structures has prompted changes, with retirement village operators adopting new funding models designed to provide greater transparency and restore public confidence in the industry.
- The industry's regulatory oversight has intensified to address growing concerns of resident exploitation. Several states have introduced new retirement village legislation, while others have initiated parliamentary inquiries into the retirement village sector.
- Amplified public scrutiny also contributed to the Retirement Living Code of Conduct, which came into effect in January 2020 as an industry initiative to instil trust and set standards.

New villages are being built to satisfy different needs and desires

- Establishment numbers are rising in line with the construction of new purpose-built seniors accommodation, including independent living units, serviced apartments and integrated care facilities.

- Many properties have been built in regional and coastal locations reflecting the sea and tree change phenomena. Others are in inner-city locations where the scarcity of land is leading to the construction of higher-density facilities, including vertical villages.
- New, evolving retirement village formats allow for the provision of ancillary healthcare services to meet higher consumer expectations.
- Rising demand for health and wellbeing services is contributing to an upward trend in industry employment.

Despite ongoing consolidation, the industry remains fragmented

- The Retirement Villages industry is highly fragmented, despite larger players seeking to improve operational efficiencies through consolidation.
- Several facility operators have consolidated, acquiring retirement villages from smaller and often independent enterprises.
- Some retirement village operators have sought to divest their portfolios, including the likes of Adelaide-based financial services and retirement living provider KeyInvest and property developer Stockland, which has divested its Retirement Living business to focus on growth opportunities in its Communities business.
- Several retirement village operators have recently divested underperforming villages in response to the changing economic environment following the COVID-19 outbreak.

Historical Performance Data

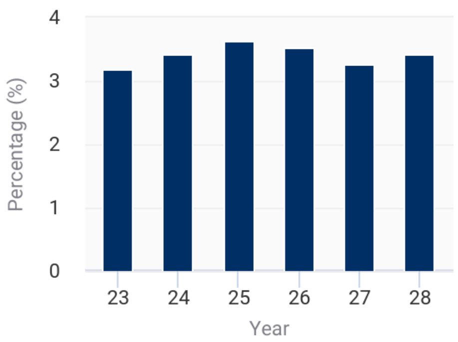
Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)
2013-14	3,278	1,655	2,160	360	22,846	N/A	N/A	1,355	N/A
2014-15	3,683	1,764	2,280	390	23,116	N/A	N/A	1,378	N/A
2015-16	3,981	1,984	2,291	405	24,825	N/A	N/A	1,564	N/A
2016-17	4,252	2,012	2,305	416	25,365	N/A	N/A	1,611	N/A
2017-18	4,419	2,043	2,315	424	26,099	N/A	N/A	1,668	N/A
2018-19	4,530	2,016	2,320	424	27,041	N/A	N/A	1,639	N/A
2019-20	4,661	2,186	2,352	426	27,852	N/A	N/A	1,777	N/A
2020-21	4,758	2,212	2,380	417	27,936	N/A	N/A	1,812	N/A
2021-22	4,975	2,278	2,414	454	28,770	N/A	N/A	1,898	N/A
2022-23	5,133	2,378	2,436	458	29,504	N/A	N/A	1,990	N/A

Industry Outlook

Outlook

Revenue for the Retirement Villages industry will grow through the end of 2027-28 at an annualised 3.5% to total $6.1 billion, with profit climbing to 4.1%.

Industry Outlook
2023–2028



Retirement Villages
Source: IBISWorld

Australia's ageing population will continue driving growth

- At present, less than 10.0% of Australia's population aged 65 and over lives in a retirement home. This result suggests a considerable opportunity for future growth as more Australians seek purpose-built seniors housing, including new 'housing for life' options.
- Australia's ageing population will underpin industry growth, as more retirees require age-appropriate accommodation.
- Recent government measures are encouraging retiring Australians to downsize and free up homes for younger generations, which may indirectly boost demand for retirement villages.
- Improving health standards and greater availability of home-care services may prolong residents' time in retirement villages.

Retirement villages stand to benefit from a fundamental reform of Australia's aged-care sector

- With Australia's existing aged-care system in crisis, there is an opportunity for the Retirement Villages industry to cement its place as a viable age-friendly and affordable accommodation option within a new, integrated aged-care system.
- Providing in-home care services to residents will become an increasingly important revenue stream in the coming years, with a new Support at Home Program commencing on 1 July 2024, opening up new opportunities.
- A greater emphasis on cottage-style homes in the wake of the COVID-19 pandemic may work in favour of smaller, charitable retirement village operators.

Retirement village operators are exploring new village formats

- New, age-friendly retirement village formats will include differing community, lifestyle and wellness offerings that meet the changing needs and aspirations of their baby-boomer customer base.
- Vertical inner-city villages integrated into existing communities will become commonplace in the coming years, as will new lifestyle villages where residents can keep pets, grow food and entertain family members in an inter-generational setting.
- Some villages may offer multi-generational housing options, including live-in carer accommodation.
- A growing number of environmentally friendly communities are appearing, offering residents electric car charging stations and subsidised electricity via solar power panels.

New village models will focus on providing a continuum of care

- The trend to co-locate retirement villages with residential aged-care units will continue with the development of new wellbeing precincts for seniors.
- Co-location with aged-care facilities means that while retirement villages may still be positioned to allow residents greater independence, they will increasingly offer various assisted living and care services so residents can age in place.

- New business models may see retirement village operators team up with health organisations, including medical facilities, pharmacies and other allied health professionals, to complement their integrated care offerings and make them integral to providing alternative, age-appropriate accommodation for Australia's ageing population.

Ongoing challenges may adversely impact the industry's operating environment

- Ongoing concerns about the complexity of retirement village contracts and high fees may constrain industry growth.
- Allegations of large village operators reducing services and overcharging may make retirees consider other alternative living arrangements, including land lease communities, placing some downward pressure on demand.
- An impending rise in regulatory oversight may also limit participation growth. As the industry moves to co-locate with residential aged-care facilities, there are growing calls for retirement villages to be regulated at the federal level and in a similar manner to residential aged-care facilities.

Performance Outlook Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)
2022-23	5,133	2,378	2,436	458	29,504	N/A	N/A	1,990	N/A
2023-24	5,310	2,489	2,461	462	30,237	N/A	N/A	2,073	N/A
2024-25	5,503	2,623	2,491	466	30,920	N/A	N/A	2,173	N/A
2025-26	5,698	2,744	2,530	470	31,573	N/A	N/A	2,262	N/A
2026-27	5,884	2,865	2,575	476	32,355	N/A	N/A	2,365	N/A
2027-28	6,085	3,000	2,614	481	33,124	N/A	N/A	2,471	N/A
2028-29	6,295	3,142	2,651	486	33,900	N/A	N/A	2,580	N/A

Industry Life Cycle

The life cycle stage of this industry is Growth

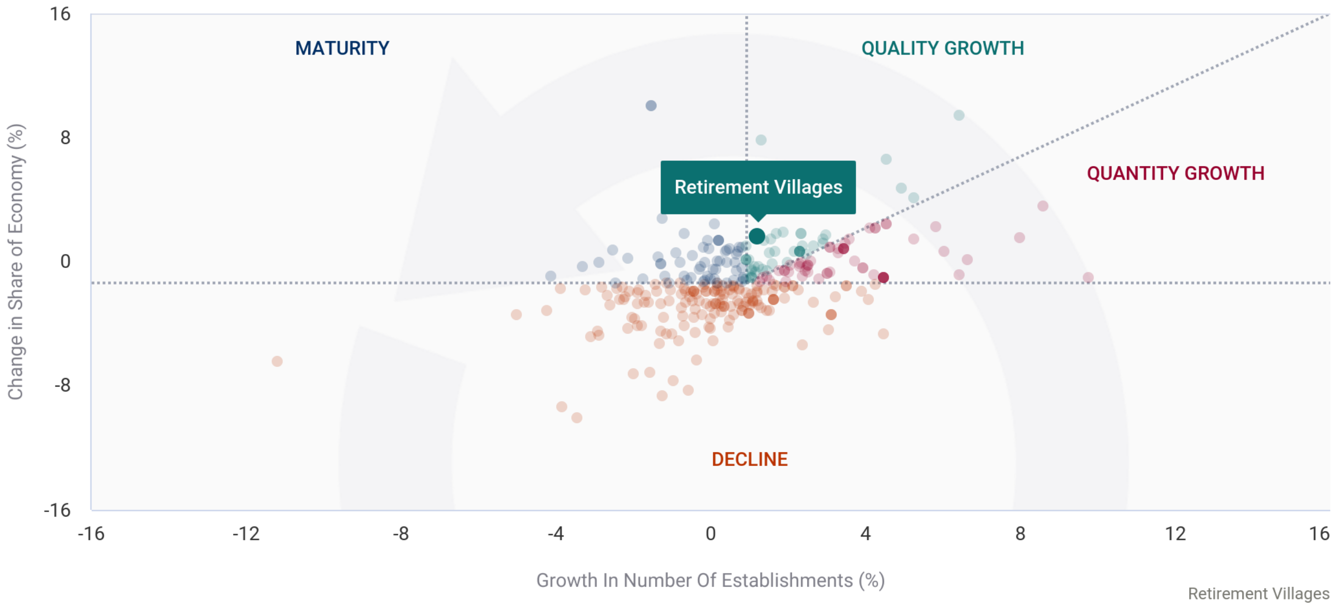
LIFE CYCLE REASONS

Industry value added is growing at a faster rate than the overall economy

Australia's ageing population is driving demand for retirement villages

Establishment numbers are increasing as retirement village operators invest in greenfield developments

Indicative Industry Life Cycle



Retirement Villages
Source: IBISWorld

Contribution to GDP

Growth in industry value added is outperforming real GDP growth. Favourable demographic variables are supporting the industry's expansion as retirement village operators open new greenfield and brownfield facilities designed to meet the increasingly diverse needs of its customer base.

Market saturation

Increased customer acceptance of retirement villages is occurring, supported by marketing that positions them as purpose-built independent or low-level care lifestyle accommodation options.

Innovation

In line with the higher expectations of the baby boomer generation, new specialist retirement accommodation options contain a growing array of lifestyle, health and wellbeing offerings. These include integrated product offerings with co-located retirement villages and aged-care facilities.

Consolidation

Despite recent consolidation trends as the larger retirement village operators have sought improved operational efficiencies, the industry remains highly fragmented. As new retirement village operators enter the industry consolidation will increase.

Technology and Systems

New technologies are being adopted in retirement villages to improve the services offered to residents, including emergency call systems, CCTV monitoring and the provision of phone and internet packages. Integrated site management systems are helping to improve operating efficiencies.

Products & Markets

Supply Chain

Key Buying Industries

1st Tier

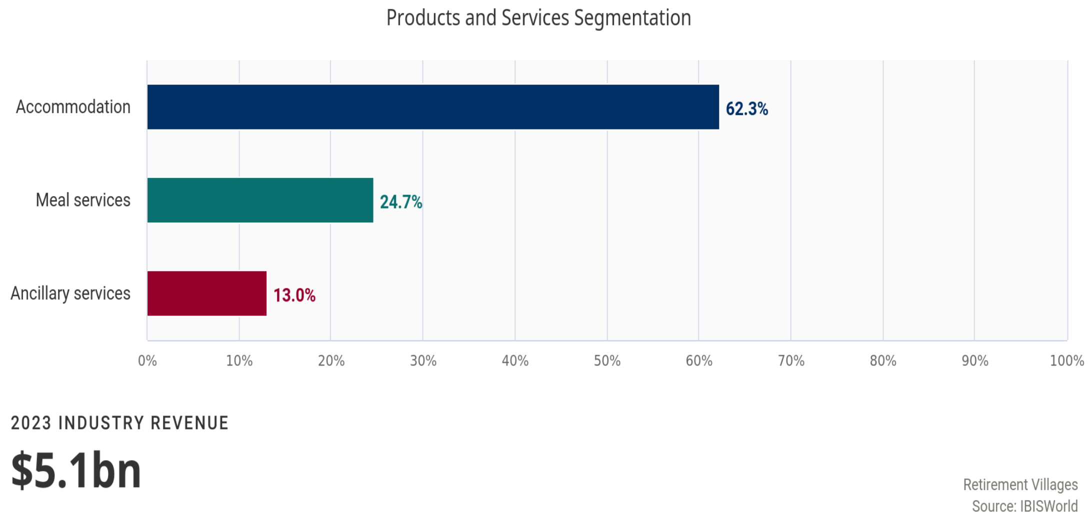
Consumers in Australia

Key Selling Industries

1st Tier

Real Estate Services in Australia

Products & Services



Accommodation charges account for the largest revenue stream

- Retirement village operators primarily provide accommodation services. Units are typically self-contained, with a bedroom, bathroom, kitchenette and small living area, although these amenities vary from village to village.
- Village operators charge one-off buy-in fees, deferred management fees and recurrent charges similar to rent. These fees are closely tied to rental charges and property prices in the wider residential market to make retirement village living competitive compared with independent living with periodic care.
- While residential property prices have risen, greater transparency over retirement village pricing structures has limited village operators' ability to increase fees.

Meal services are falling in relative importance

- Many retirement villages provide meal services to residents, which can incur an additional charge.
- While accommodation fees have increased in line with growth in rental prices, charges for meal services have risen more slowly.
- Inflationary cost pressures are pushing up food prices and eating into this revenue stream.
- New vertical villages in prime inner-city locations are close to local cafes and pubs, reducing the need for on-site catering facilities.

Ancillary services are growing in importance as more villages offer assisted living and care services

- Many villages offer recreation centres, housecleaning, general grounds maintenance, security patrols, social activities and laundry services. Some of these services are included in the base fee or maintenance charges, while others are opt-in and incur an additional surcharge through personal service fees.
- The growing number of retirement villages offering gyms, swimming pools, wellness centres and cafes reflects residents' changing expectations.
- With more retirement villages now offering in-house home care services, this revenue stream is gradually increasing as a share of revenue.

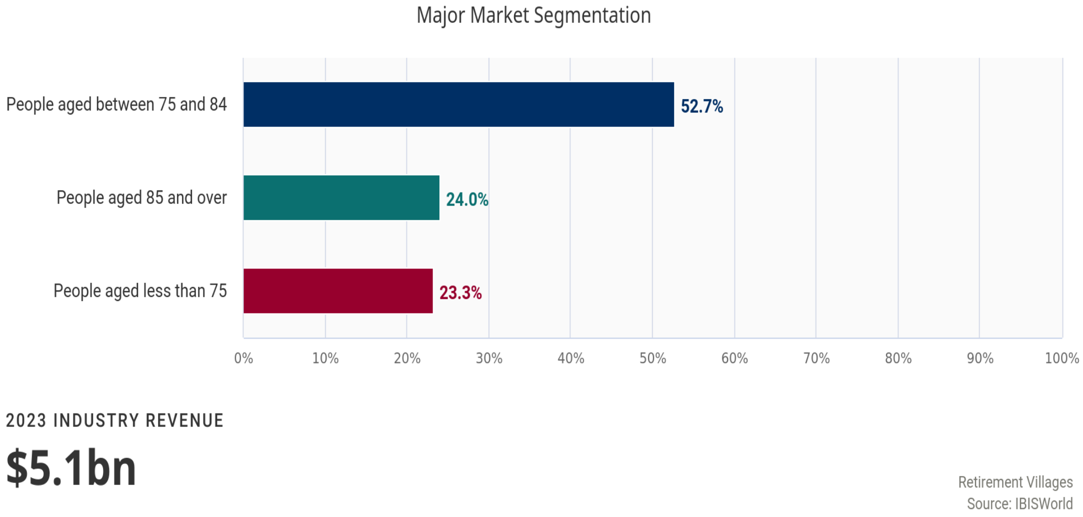
Demand Determinants

The industry's demand base is almost exclusively consumers aged 65 and over who are retired.

This means an ageing population creates demand for retirement villages. Increased health and life expectancies among seniors also boost demand for retirement villages and associated ancillary services. Longer life expectancies provide lengthier, more stable revenue streams from residents. Improved health among seniors helps the industry compete against aged-care facilities that provide greater levels of care, as seniors can live more independently.

The industry can also encourage demand for retirement village residency by offering amenities and recreational facilities and maintaining a strong social community. Many retirement villages provide lawn bowls greens, pools, gyms, cafes or bars, community centres, libraries, doctor's visits, prepared meals and social activities. These benefits can convince some seniors to switch from living in a private residence to a retirement village residence, especially if the retirement village is within the same town or city so residents can maintain existing relationships with family and friends.

Major Markets



People aged 85 and over account for a disproportionate share of residents

- As of June 2022, approximately 549,100 Australians are aged 85 and over, representing 12.4% of the over-65 population. This age group accounts for a disproportionately larger share of retirement village residents.
- The Australian Government's moves to increase the number of home-care packages available and a trend towards co-locating medical or aged-care facilities onsite have made it easier for retirement village residents to remain in these locations for longer before moving into higher-care aged-care facilities.

Most residents are aged between 75 and 84

- Residents aged between 75 and 84 are the largest demographic living in retirement villages.
- In the case of Stockland retirement villages, the average age of residents on entry in 2020-21 was 75.2 years, although the average age of all current residents was 80.0 years.
- Home-care packages for residents in retirement villages and associated policies allowing residents to age in place are encouraging residents to remain in villages for a longer period of time.

People aged less than 75 delay entering retirement villages

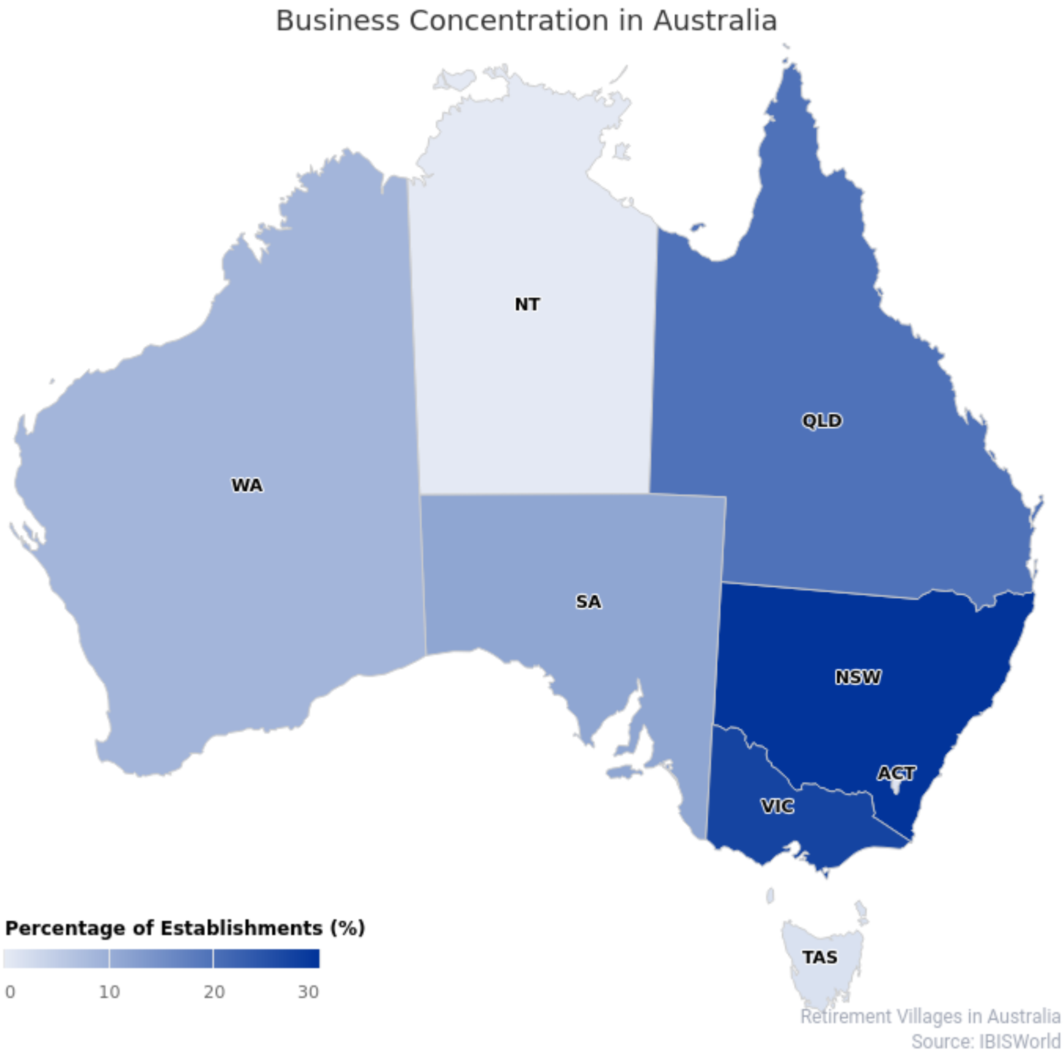
- As of June 2022, just over 2.4 million Australians are aged between 65 and 74, representing 55.0% of Australia's population aged 65 and over. Despite this majority, this market segment is the industry's smallest.
- While retirement village units are built with people aged over 55 in mind, residents frequently enter such living arrangements in their early seventies as the need to downsize or cut back on household responsibilities grows.
- With some Australians delaying entering retirement villages, several retirement village operators are deliberating targeting active (as opposed to retired) adults, particularly those preferring rental housing.

Exports in this industry are Low and Steady

Imports in this industry are Low and Steady

By its very nature, the Retirement Villages industry is not directly involved in international trade. Retirement village providers do not rely on imported products and their operations are performed domestically.

Business Locations



New South Wales: Australia's largest state

- The location of retirement villages tends to be market-driven, with socio-economic and demographic variables playing a role in influencing the geographic spread of retirement villages.
- In view of NSW's position as Australia's largest state in terms of share of the national economy and population base, these variables help explain the state's sizeable share of retirement villages.
- Establishments in New South Wales are generally larger, residing in population centres, with higher numbers of residents per establishment.
- A relatively higher proportion of retirement village residents in NSW rely on superannuation as their main source of income compared to the national average.

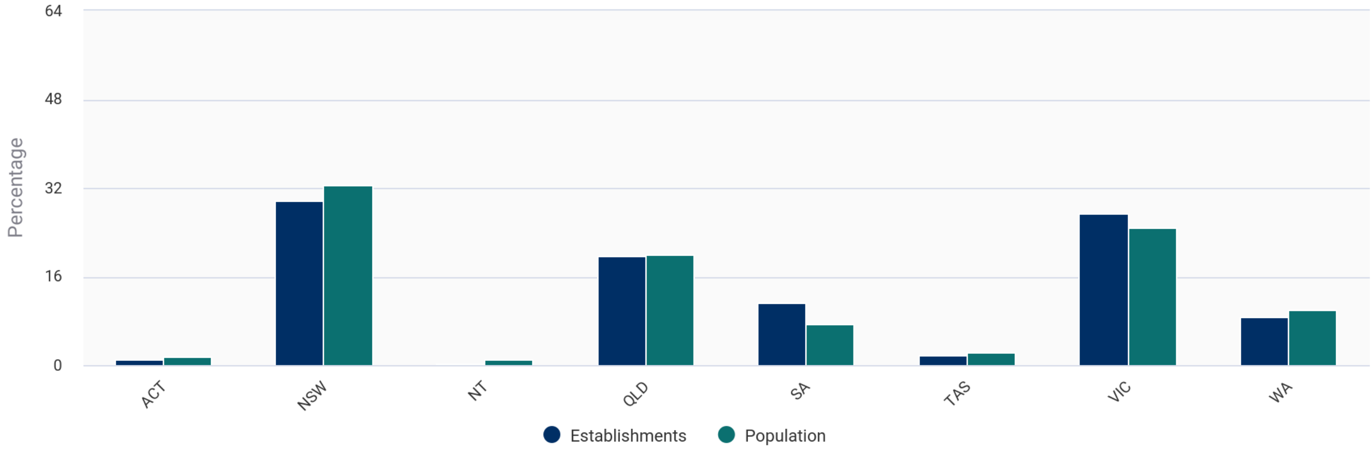
Queensland: Australia's retirement state

- The share of a state's population aged 65 and over also influence's the industry's geographic spread.
- According to the ABS 2016 census, while New South Wales and Victoria may have the largest number of people living in retirement villages, their penetration rates (the proportion of people aged 65 and over living in a retirement village) are below the national average. Queensland, in comparison, has an above-average penetration rate.
- Within state regions, access to lifestyle options is a key consideration for potential residents, underlying the relatively high number of retirement villages located in the Sunshine Coast and Moreton Bay.

South Australia: home to a relatively older population

- South Australia is an outlier with a relatively larger share of establishments than its share of the Australian population. This results from the state's relatively high median age of 40.71 years.
- South Australia has a disproportionate number of people aged between 70 and 89 years old, which is a key market for the industry. As of June 2022, 13.2% of the state's population falls into this age group, compared with 11.2% for the nation as a whole. This higher share means that demand for retirement villages in South Australia is higher than its share of the population would suggest.

Distribution of Establishments vs Population



Retirement Villages
Source: IBISWorld

Competitive Landscape

Market Share Concentration

Concentration in this industry is Low

The Retirement Villages industry is characterised by high fragmentation, reflecting its history

- Market share concentration in the Retirement Villages industry is low, with the four largest companies accounting for under 20.0% of industry revenue in the current year.
- The industry is highly fragmented, with many enterprises being owner-operated with just a single retirement village.
- This reflects the industry's history, with the retirement sector initially dominated by charitable entities seeking to cater for the needs of elderly Australians.

New business models will spark consolidation in the coming years

- In recent years the industry trend has been towards consolidation as the larger retirement village operators sought improved operational efficiencies.
- Several retirement village providers have acquired retirement villages from smaller and often independent enterprises.
- Others have sought to reduce the size of or divest their portfolio, including the likes of Adelaide-based financial services and retirement living provider KeyInvest and property developers Stockland and LendLease.
- New continuum of care business models will see not-for-profit entities assume a bigger role in the industry once again, sparking a new wave of consolidation, especially as additional for-profit retirement village operators leave the industry.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

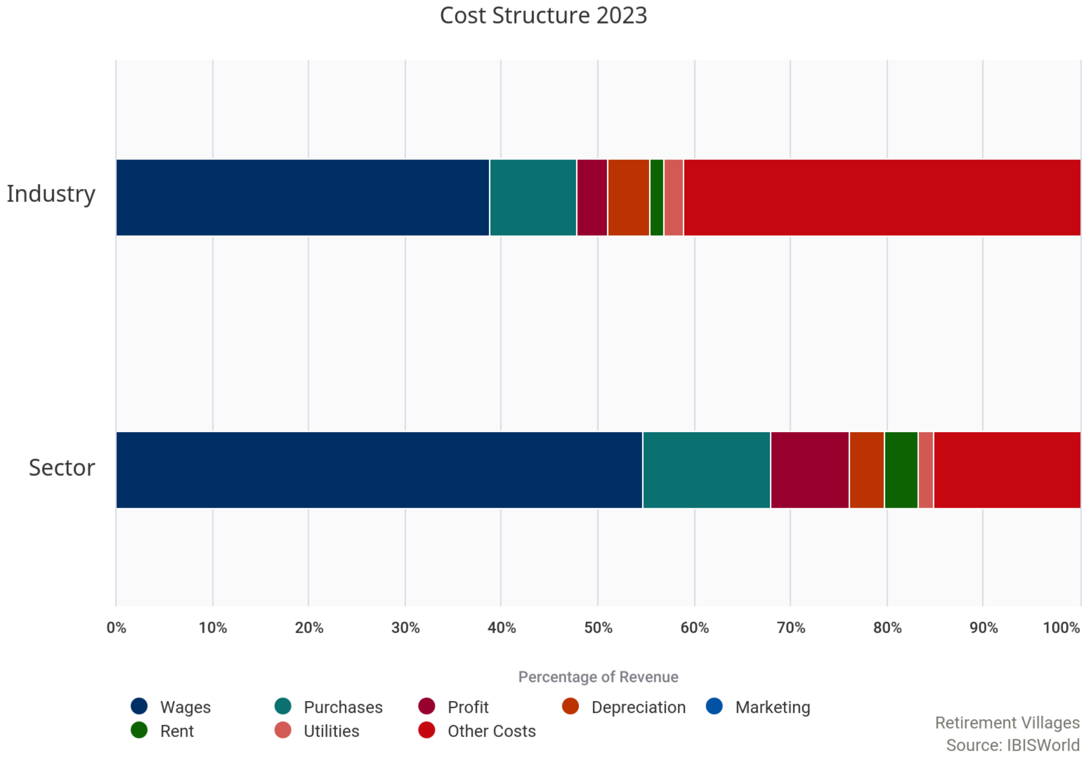
Easy access to further appropriate land for development:
Location is a major source of competition among retirement village operators. Acquiring prime locations near hospitals, shopping centres and public transport is important for retirement village operators looking to expand.

Willingness to outsource when appropriate:
Retirement village operators that provide laundry and meal services should explore outsourcing options, as these can often reduce marginal costs for retirement villages.

Having marketing expertise:
Given that the industry is highly competitive, retirement village operators must be able to advertise their ease of access to local amenities and other aged-care services to grow their customer base.

Effective cost controls:
Retirement village operators often incur significant debt in the development of retirement villages. Retirement village operators need to keep tight control of costs to support profit margins and reduce the risk of default.

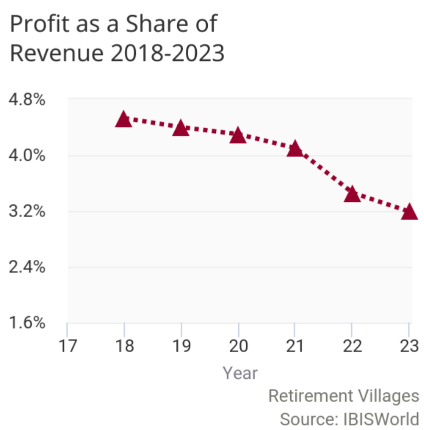
Cost Structure Benchmarks



Profit

Greater public scrutiny has limited the industry's profit margins

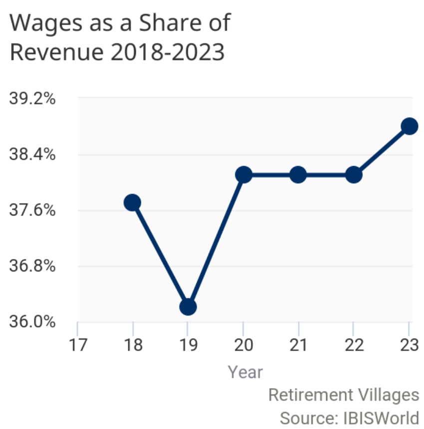
- The industry includes both for-profit and non-profit entities. Non-profit entities skew the industry's overall profit margins.
- The industry's profit margins are trending downwards to reach 3.2% in 2022-23.
- Greater scrutiny of retirement village fee structures and weak sentiment towards the industry in the wake of the Aveo scandal has eroded profitability.
- Surging costs associated with mitigating the risk of COVID-19 transmission in a retirement village setting, including higher cleaning costs and increased staff for providing meals to self-isolating residents, have added to downward pressure on margins.



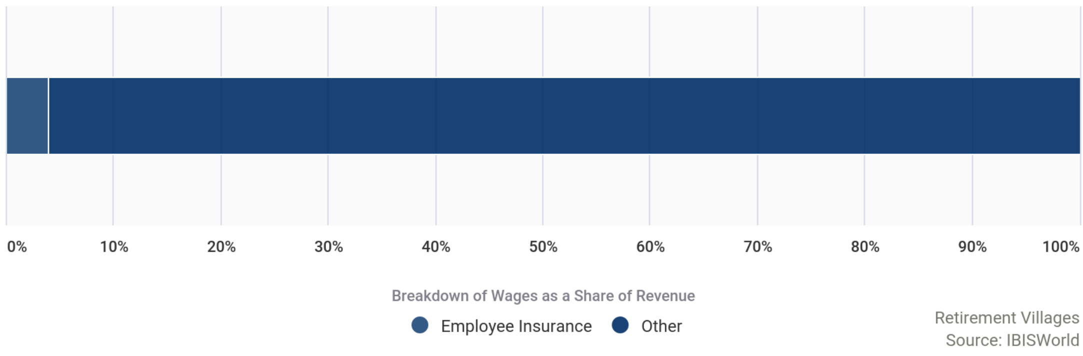
Wages

Rising average wages are pushing up the industry's wage bill

- At 38.8% of revenue, wages are the largest cost item for retirement villages as staff are required to provide a range of services. Average wages are increasing in a competitive job market, pushing up wages' share of revenue.
- Managers are necessary to ensure that villages maintain high occupancy rates and to organise social activities and events.
- In retirement villages that provide regular meal service, staff are required to order, prepare and serve meals and maintain food safety and service standards.
- Providing ancillary healthcare services or emergency nursing staff has added to the industry's headcount.



Wages Breakdown (% of Total Wages in 2023)

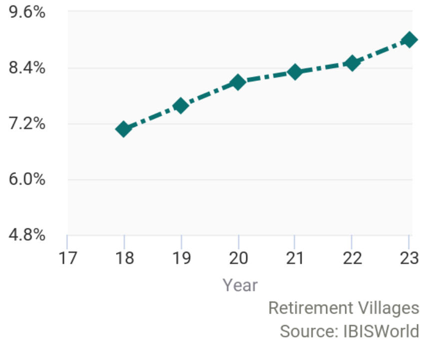


Purchases

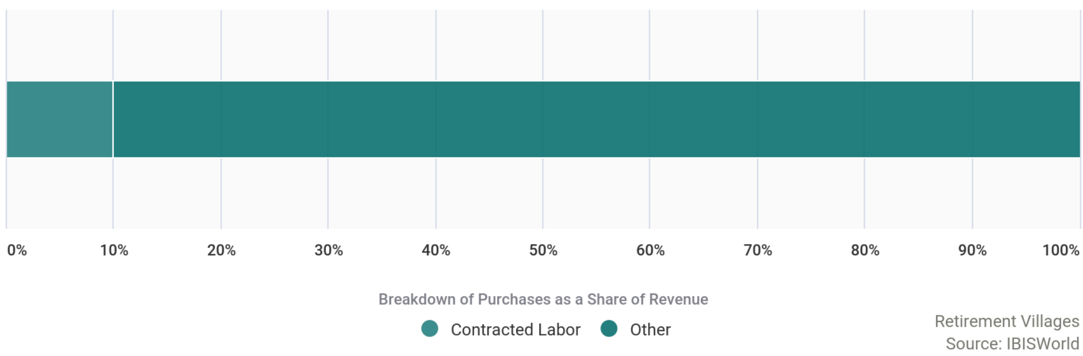
Providing a wider range of services is reflected in higher purchase costs

- Purchases are higher for retirement villages that provide a regular meal service or community events and activities.
- Many rental retirement villages provide daily meals for each resident as part of their fees. For these retirement village operators, purchases include food and beverages on top of chemicals and other cleaning products and purchases for community activities.
- Purchases are rising as a share of revenue, primarily because of greater numbers of residents engaging in community activities and requesting meal services.
- Inflationary pressures are also pushing purchase costs upwards to reach 9.0% of revenue in 2022-23.

Purchases as a Share of Revenue 2018-2023



Purchases Breakdown (% of Total Purchases in 2023)



Depreciation

Greenfield and brownfield expansions are incurring higher depreciation charges

- Retirement village operators incur depreciation costs on buildings, equipment and other facilities.
- Larger companies typically construct their own retirement villages and have higher depreciation costs than smaller retirement village companies, which may rent facilities with less capacity to reduce their initial capital outlay.
- In recent years, retirement village operators have upgraded and expanded villages to accommodate rising demand, lifting depreciation expenses incurred on buildings and facilities. Because of this, depreciation costs are rising as a share of revenue to reach 4.3% in 2022-23.

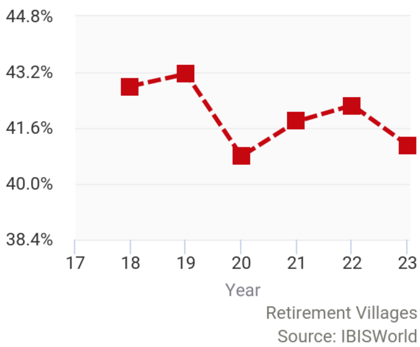
Depreciation as a Share of Revenue 2018-2023

Other Costs

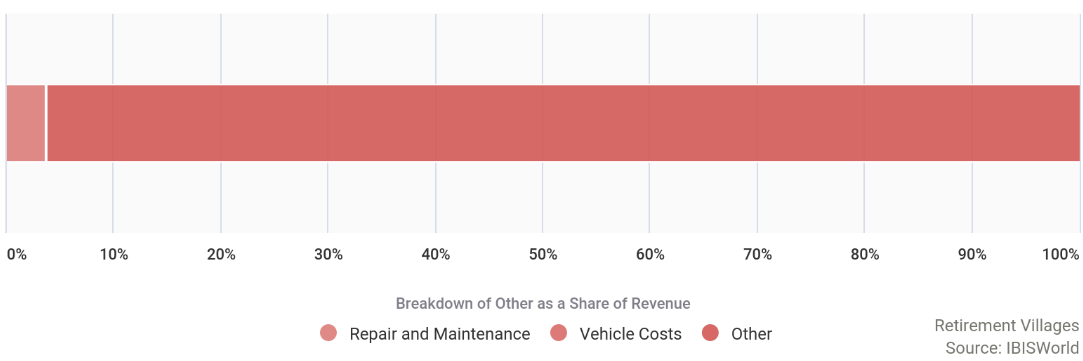
Subcontracting costs can be sizeable for larger villages

- Other costs include rent, subcontracting, administrative, insurance, utilities, security, repair, maintenance and professional service expenses.
- Subcontracting costs include laundry services that are often difficult or unfeasible to provide on-site. Smaller retirement villages may have the scope to provide commercial laundry services on their premises, but larger facilities with over 50 residents typically contract out these services.
- Other costs are falling to 41.1% of revenue in 2022-23, reflecting relatively stronger growth in wage and purchase costs.

Other Costs as a Share of Revenue 2018-2023



Other Breakdown (% of Total Other in 2023)



Basis of Competition

Competition in this industry is ⚠ High and the trend is Increasing

The Retirement Villages industry is subject to a high and increasing degree of competition.

The industry competes internally on prices and the quality of facilities and services. Externally the industry competes against aged-care facilities that offer higher levels of care, independent private living and in-home care.

INTERNAL

The range of lifestyle, health and wellbeing services offered by a retirement village is a key point of competition within the industry.

Retirement villages that offer more services can be more attractive to potential residents and are also able to charge higher prices. In contrast, retirement villages with limited facilities primarily compete on a price basis.

Location is also a key competitive factor. Retirement villages in central urban areas, with access to shopping centres, medical facilities and public transport, are often considered attractive by residents. Internal competition is rising as retirement village providers invest in new lifestyle retirement villages with easy access to local amenities and as they move to offer in-home aged-care packages to village residents.

EXTERNAL

External competition involves alternate living arrangements for retired seniors.

Although residential aged-care facilities and retirement villages offer similar services and have similar markets, competition between the two is limited by the nature of demand. Nursing homes and other aged-care facilities offering high levels of care rely on needs-driven demand from residents who cannot fully care for themselves.

External competition can come from seniors staying in private residences and receiving periodic in-home care or moving in with their children to receive help from family members. In some instances, seniors may opt to move to a rival land lease community which also provides lower-maintenance homes within a community setting.

Barriers to Entry

Barriers to Entry in this industry are ⊘ High and the trend is Steady

Legal

While there is no overriding federal legislation governing the industry, each state and territory has its own set of legislation and regulations relating to the operation of retirement villages which can deter retirement village providers from operating across states.

Start-Up Costs

Establishing a retirement village requires significant capital expenditure, as multiple residential properties, amenities, and gardens must be constructed. Securing prime locations that are close to shopping areas, public transport, and medical facilities can be prohibitively expensive.

Differentiation

Changing expectations on the part of retirement village residents can provide potential entrants with an opportunity to differentiate their offering, including targeting particular ethnic groups, providing intergenerational living options, the provision of health and wellbeing services or luxury serviced apartments.

Labour Intensity

The growing movement to provide lifestyle and wellbeing services is increasing the need for additional staff and the day-to-day costs involved in operating a retirement village. Any move to provide onsite care services will increase the need for skilled staff.

Barriers to Entry Checklist

Competition	High ⚠
Concentration	Low ⊘
Life Cycle Stage	Growth ⊘
Technology Change	Medium ⊖
Regulation & Policy	Medium ⊖
Industry Assistance	Low ⚠

Industry Globalization

Globalization in this industry is ⊘ Low and the trend is Increasing

The industry has a low level of globalisation. Retirement villages provide services domestically and are not involved in international trade. Nonetheless, there is strong potential for industry globalisation to increase over the coming years as overseas investors and property developers take note of Australia's ageing population. In August 2022, Swedish investor EQT Infrastructure entered the industry via its $987.0 million purchase of property group Stockland's Retirement Living portfolio.

Major Companies

There are no major players in this industry

Other Companies

The Retirement Villages industry is highly fragmented. Many businesses in the industry operate a single establishment, with many being owner-operated. No single retirement village operator commands a market share in excess of 5.0%.

Aveo Group

Market Share: 5.0%
Brand Names: Aveo
Description

First established in 1970 and headquartered in Sydney, Aveo Group is one of the largest owners and operators of retirement communities in Australia, with 94 retirement facilities across the eastern seaboard (88.0% of facilities), Adelaide and Tasmania. In total, Aveo has over 12,000 Australian residents spread across independent living units, serviced apartments, Freedom Aged Care serviced apartments and residential aged-care beds.

In recent years, the company's portfolio has been expanded via acquisitions, brownfield and greenfield developments and redevelopments. In 2013-14 Aveo had operated 75 villages. Revenue streams from its retirement village portfolio are supplemented by providing care and support services, including its Aveo Care at Home business, food & nutrition services and telecommunication services (Aveo Connect).

In July 2017, the Australian Competition and Consumer Commission announced that it would launch a formal investigation into the practices of Aveo Group following media coverage of the company's allegedly overpriced contracts and fees. This negative media coverage regarding Aveo's exit and maintenance fees has affected the group's performance in recent years. In November 2019, Aveo Group was acquired by entities controlled by Brookfield Asset Management Inc and has since been delisted from the ASX.

LendLease Group

Market Share: 3.0%
Description

LendLease Group, trading as Lendlease, operates as a property developer and manager. Lendlease currently owns 77 resort-style retirement living villages and serviced apartments with 13,120 units and over 17,000 residents across Australia. These are located mainly in Victoria (28), New South Wales (18), Queensland (14) and Western Australia (10). A further seven villages are in South Australia and the Australian Capital Territory. Its villages provide various accommodation options, including standalone units, serviced apartments and resort-style living with dining, retail and entertainment facilities. Lendlease currently offers four different financial models, namely deferred management fees, pre-paid plans, refundable contributions and pay-as-you-go.

Over the past five years, LendLease has progressively reduced its ownership of its retirement living portfolio to just 25.1% as it sought to reduce its exposure to the retirement village sector. In October 2017, the group sold a 25.0% stake in its Australian retirement living portfolio to Dutch pension asset manager APG Asset Management NV for an estimated $470.0 million. Another 25.0% stake was sold in February 2021 to Aware Super, with a further 24.9% sold to Aware Super in February 2022. A superannuation fund, Aware Super had previously acquired a 70.0% stake in Oak Tree Villages in 2017.

RSL Care RDNS Limited

Market Share: 1.0%
Description

RSL Care RDNS (trading as Bolton Clark) is a not-for-profit organisation providing the full continuum of care from at-home care, to retirement living and residential aged care. The Brisbane-based Bolton Clarke is Australia's largest independent not-for-profit aged-care provider. In 2021-22 Bolton Clark generated total operating revenue of $711.7 million. Of this figure, $396.2 million was derived from its residential care operations, with $35.1 million earned from its retirement living operations.

Bolton Clark operates in the industry through its ownership of 36 retirement villages housing 2,940 residents in 2,574 units. 22 of these retirement villages are co-located with its residential care facilities, of which it operates 70 in total. Several of these retirement villages were acquired in 2021-22 via its $700.0 million purchase of aged-care provider Allity which offers retirement living properties at five of its 43 aged-care locations (with 300 retirement units in total), which are co-located with its residential aged care facilities. In addition, Bolton Clark entered into a merger agreement with RSL Care WA Retirement and Aged Care Association Incorporated (trading as Acacia Living

Group), with Acacia Living Group becoming a 100% owned subsidiary in October 2021. Acacia Living Group operates seven retirement villages and two residential aged-care facilities in Western Australia, along with the provision of respite and home care services.

Stockland

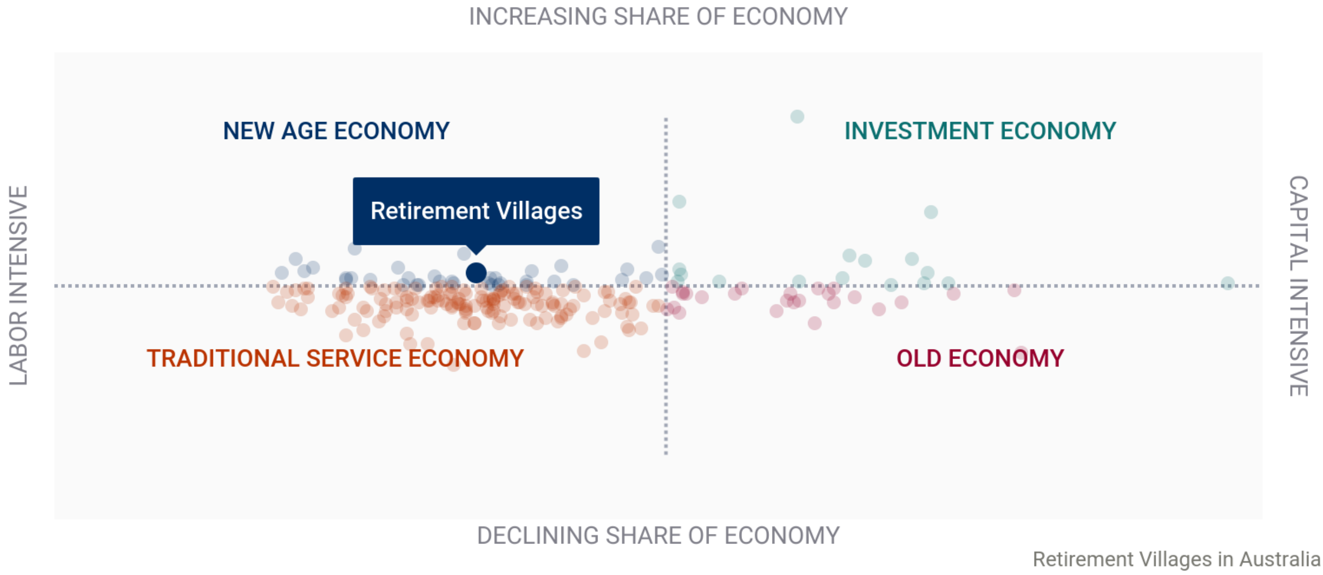
Descriptions

Stockland is a Sydney-based publicly listed entity that operates as a property developer and manager. Before exiting the industry in August 2022, the group had operated in the industry through its Retirement Living segment. As of December 2021, the company operated and owned 58 retirement communities in five states and the Australian Capital Territory with 8,647 independent living units. It also had one Aspire village. In the first half of 2021-22, its Retirement Living portfolio accounted for 5.0% of the group's total portfolio and less than 5.0% of group EBIT.

Over the past five years, the company has divested a series of villages, culminating in the sale of its remaining portfolio in August 2022. After selling four non-core villages to Centennial Living for $89.0 million in late 2020, representing a 10.0% discount on the June 2020 book valuation, it sold its remaining retirement living business to Swedish investor EQT Infrastructure for $987.0 million. The sale also included 10 development projects and the associated management platform. The sale was part of a strategy designed to release capital for redeployment into higher growth opportunities.

Operating Conditions

Costs of Growth: Targeting Capital vs. Labor



Retirement Villages in Australia
Source: IBISWorld

Capital Intensity

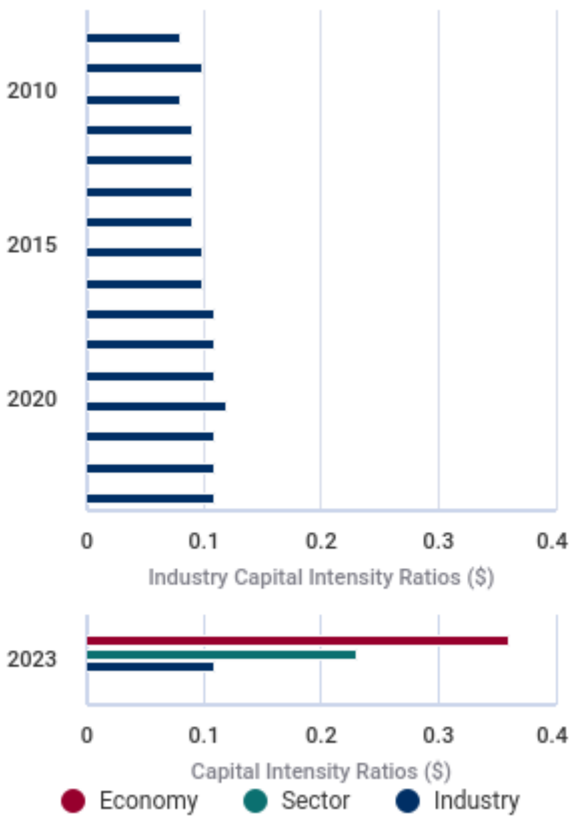
The level of capital intensity is ✓ **Low**

The Retirement Villages industry exhibits a low level of capital intensity. In 2022-23, for every dollar spent on wages, $0.11 is invested in capital requirements. Retirement village operators' capital requirements vary depending on their structure, operations and the services they provide. For example, smaller retirement villages may rent out their units, communal areas, and kitchen and dining room facilities to reduce their initial capital outlays and aid their entry into the industry. These smaller operators typically rely more on manual labour and tend to be less capital-intensive.

In contrast, companies that build their own retirement villages incur depreciation costs on accommodation units and shared facilities and large-scale commercial kitchens if they provide regular meal services. These companies rely heavily on manual labour, as staff are required to manage the retirement village, prepare meals and complete other management and administrative tasks. The provision of home-care services for residents is also increasing the need for additional staff.

The industry's capital intensity is increasing as retirement village operators invest in upgrading and developing new retirement villages to accommodate higher resident expectations. New village formats include serviced apartments, vertical villages and integrated villages co-located with residential aged-care facilities designed to provide elderly residents with a continuum of care as they age.

Capital Intensity Ratios



Retirement Villages
Source: IBISWorld

Technology & Systems

Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruptive Effect	Description
Low	Rate of Innovation	Unlikely	A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring.
Very High	Innovation Concentration	Very Likely	A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators.
Low	Ease of Entry	Unlikely	A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt incumbents by putting new technologies to use.
High	Rate of Entry	Likely	Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors.
High	Market Concentration	Likely	A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share.

The rate of new patent technologies entering the industry is low, which limits the potential for innovations. A low rate does not mean that innovations cannot occur, just that the likelihood of some innovation materializing as a threat is lower. However, the concentration of technologies is high in this industry. This suggests that industry operators have exposure to potentially unforeseen areas of innovation.

Additionally, this industry's structure makes it difficult for new operators to enter and succeed. These barriers have the potential to disincentivize potential disruptors. Despite these barriers, the industry is experiencing a rapid growth in the number of companies. A difficult operating environment for new entrants combined with a large cohort of them may create a situation where these companies may take on a disruptive trajectory in non-traditional markets.

The major markets for this industry are highly concentrated, which implies that the market has a focus on key customer segments. This presents an opportunity for strategic entrance into lower-end markets or unserved markets for innovations to take on a disruptive trajectory.

Technology disruption has lightly affected the Retirement Villages industry over the past decade.

The industry has benefited from developments like smart devices. Nonetheless, these developments have played a relatively minor role in the overall competitive aspect of the industry. Over the coming years, technology developments like self-driving vehicles are forecast to significantly disrupt the industry, as retirement villages that can offer features like automated buses will become increasingly popular because of the greater freedoms that frequent transportation can offer retirees.

The level of technology change is **Medium**

Technology change in the industry has been moderate.

New systems have improved security, operating efficiency and the quality of services offered to residents. Retirement village operators are adopting technologies that improve resident access to healthcare services, including telephone lines that connect directly to an onsite nurse or to an emergency call system.

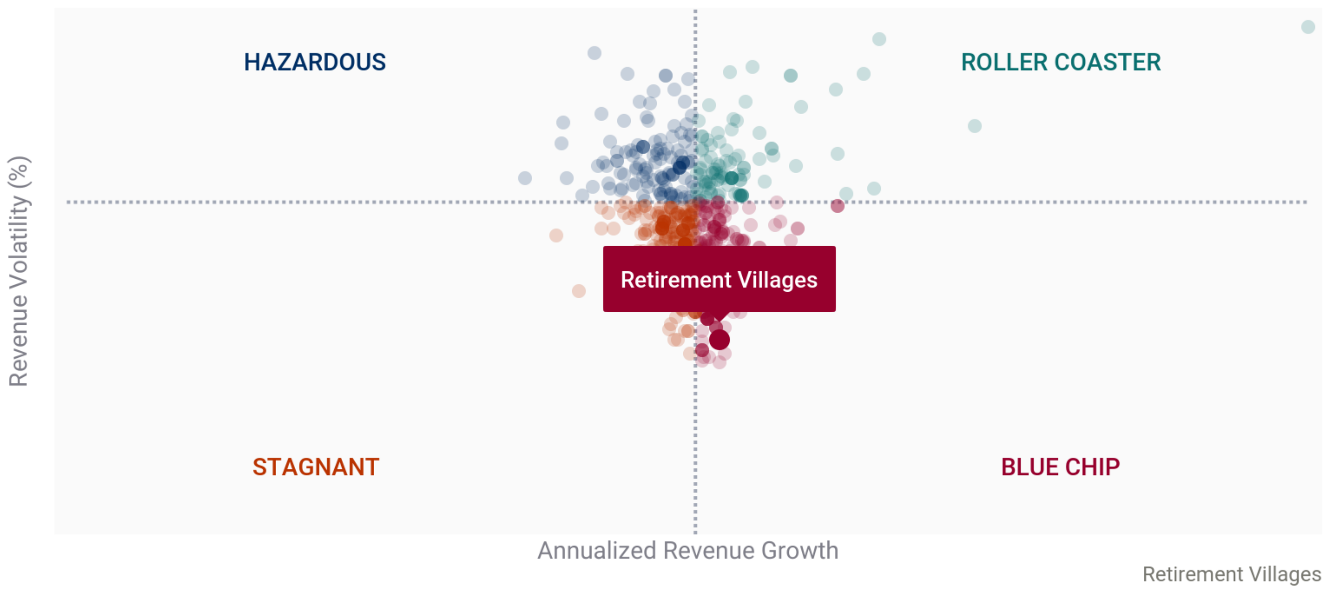
Advancements in security camera technology are improving the ability of retirement village staff to monitor intruders and residents. Wireless connections also allow staff to monitor the retirement village remotely without having to be on site. Radio-frequency identification through Wi-Fi connections is being used to prevent theft, identify missing residents and manage staff workflow. Unified site management platforms are improving the efficiency of staffed retirement villages.

Several retirement villages offer residents phone and internet bundles and use communication platforms to inform residents of upcoming events.

Revenue Volatility

The level of volatility is Low

Volatility vs. Growth



Retirement Villages
Source: IBISWorld

Australia's ageing population is sustaining demand for age-appropriate accommodation

- The propensity to live in some form of age-appropriate accommodation increases with age.
- Growth in industry revenue is being driven by Australia's ageing population and the associated rise in demand for age-appropriate accommodation services.
- These include accommodation options provided by retirement villages which offer residents a safe and secure community and access to a range of social activities.
- As of June 2022, 4.4 million Australians were aged over 65, representing 17.1% of the total Australian population. By June 2029, this proportion is set to total 18.0% as Australia's population continues to age. This trend will support future industry growth.

Government health and aged-care policies are working in the industry's favour

- Rising health expenditure and a focus on community as opposed to institutional care have allowed many older people to remain healthier and independent for longer, providing them with the opportunity to age in place in a retirement village home rather than requiring increased care in aged-care facilities.
- These developments have also driven demand for retirement villages and supported ongoing revenue growth, reducing yearly swings in revenue.

Regulation & Policy

The level of regulation is Medium and the trend is Increasing

State and Territory legislation

Each state and territory has its own set of legislation and regulation relating to the operation of retirement villages. These regulations are generally focused on outlining the rights and responsibilities of occupants and retirement village operators. State governments generally require operators to provide information on the proximity of services like hospitals and public transport, the costs associated with residency, the facilities available and details of management and community organisation structures.

Retirement Living Code of Conduct

In effect from 1 January 2020, the new self-assessment code sets and maintains standards relating to the marketing, selling and operation of retirement communities and operates in conjunction with existing state and territory laws and regulations. It was developed by the Retirement Living Council (RLC), Leading Age Services Australia (LASA) and Aged and Community Service Australia (ACSA). The Code Review Panel undertakes independent oversight, monitoring and review of the code.

Australian Retirement Village Accreditation Scheme (ARVAS)

ARVAS operates as a single-industry accreditation scheme for retirement villages and seniors housing operators. This scheme replaces the previous Lifemark and the International Retirement Community Accreditation Scheme schemes and is designed to work directly with the Retirement Living Code of Conduct. ARVAS is co-owned by the Property Council of Australia and LASA.

Industry Assistance

The level of industry assistance is ⚠ Low and the trend is Steady

Public

In contrast to residential aged-care facilities, which are the recipients of considerable government funding, the Retirement Villages industry does not receive any direct form of assistance from the Australian Government.

Private

The Retirement Living Council (RLC)

The Retirement Living Council is a specialist national division of the Property Council of Australia that focuses on retirement villages alongside senior housing. It represents retirement community owners, operators and developers.

Aged and Community Care Providers Association (ACCPA)

ACCPA is the national peak body representing providers of retirement living, seniors housing, home and community care and residential aged care. The body undertakes policy and advocacy work and assists retirement village operators in compliance with the Retirement Living Code of Conduct and the Australian Retirement Village Accreditation Scheme.

Key Statistics

Industry Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)
2013-14	3,278	1,655	2,160	360	22,846	N/A	N/A	1,355	N/A
2014-15	3,683	1,764	2,280	390	23,116	N/A	N/A	1,378	N/A
2015-16	3,981	1,984	2,291	405	24,825	N/A	N/A	1,564	N/A
2016-17	4,252	2,012	2,305	416	25,365	N/A	N/A	1,611	N/A
2017-18	4,419	2,043	2,315	424	26,099	N/A	N/A	1,668	N/A
2018-19	4,530	2,016	2,320	424	27,041	N/A	N/A	1,639	N/A
2019-20	4,661	2,186	2,352	426	27,852	N/A	N/A	1,777	N/A
2020-21	4,758	2,212	2,380	417	27,936	N/A	N/A	1,812	N/A
2021-22	4,975	2,278	2,414	454	28,770	N/A	N/A	1,898	N/A
2022-23	5,133	2,378	2,436	458	29,504	N/A	N/A	1,990	N/A
2023-24	5,310	2,489	2,461	462	30,237	N/A	N/A	2,073	N/A
2024-25	5,503	2,623	2,491	466	30,920	N/A	N/A	2,173	N/A
2025-26	5,698	2,744	2,530	470	31,573	N/A	N/A	2,262	N/A
2026-27	5,884	2,865	2,575	476	32,355	N/A	N/A	2,365	N/A
2027-28	6,085	3,000	2,614	481	33,124	N/A	N/A	2,471	N/A

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)
2013-14	4.01	6.98	3.29	1.40	4.52	N/A	N/A	5.80	N/A
2014-15	12.4	6.57	5.55	8.33	1.18	N/A	N/A	1.66	N/A
2015-16	8.09	12.5	0.48	3.84	7.39	N/A	N/A	13.5	N/A
2016-17	6.81	1.40	0.61	2.71	2.17	N/A	N/A	3.03	N/A
2017-18	3.92	1.53	0.43	1.92	2.89	N/A	N/A	3.49	N/A
2018-19	2.50	-1.32	0.21	0.00	3.60	N/A	N/A	-1.71	N/A
2019-20	2.88	8.43	1.37	0.47	2.99	N/A	N/A	8.40	N/A
2020-21	2.08	1.21	1.19	-2.12	0.30	N/A	N/A	2.00	N/A
2021-22	4.56	2.96	1.42	8.87	2.98	N/A	N/A	4.70	N/A
2022-23	3.18	4.41	0.91	0.88	2.55	N/A	N/A	4.88	N/A
2023-24	3.43	4.63	1.02	0.87	2.48	N/A	N/A	4.16	N/A
2024-25	3.64	5.38	1.21	0.86	2.25	N/A	N/A	4.81	N/A
2025-26	3.53	4.64	1.56	0.85	2.11	N/A	N/A	4.10	N/A
2026-27	3.26	4.40	1.77	1.27	2.47	N/A	N/A	4.53	N/A
2027-28	3.41	4.69	1.51	1.05	2.37	N/A	N/A	4.49	N/A

Key Ratios

Year	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee ($'000)	Wages/ Revenue (%)	Employees per estab. (Units)	Average Wage ($)
2013-14	50.5	N/A	N/A	143	41.3	10.6	59,319
2014-15	47.9	N/A	N/A	159	37.4	10.1	59,599
2015-16	49.8	N/A	N/A	160	39.3	10.8	62,993
2016-17	47.3	N/A	N/A	168	37.9	11.0	63,521
2017-18	46.2	N/A	N/A	169	37.7	11.3	63,891
2018-19	44.5	N/A	N/A	168	36.2	11.7	60,612
2019-20	46.9	N/A	N/A	167	38.1	11.8	63,791
2020-21	46.5	N/A	N/A	170	38.1	11.7	64,873
2021-22	45.8	N/A	N/A	173	38.1	11.9	65,954
2022-23	46.3	N/A	N/A	174	38.8	12.1	67,455
2023-24	46.9	N/A	N/A	176	39.0	12.3	68,558
2024-25	47.7	N/A	N/A	178	39.5	12.4	70,272
2025-26	48.2	N/A	N/A	180	39.7	12.5	71,643
2026-27	48.7	N/A	N/A	182	40.2	12.6	73,080
2027-28	49.3	N/A	N/A	184	40.6	12.7	74,592

Figures are inflation adjusted to 2022-23

Additional Resources

Additional Resources

Australian Institute of Health and Welfare
http://www.aihw.gov.au

Department of Social Services
http://www.dss.gov.au

Retirement Living Australia
http://www.retirementlivingaustralia.com.au

Industry Jargon

BABY BOOMER GENERATION
The generation made up of people that were born between 1946 and 1964.

DEFERRED MANAGEMENT FEE
An exit or departure fee, typically calculated based on a combination of the value of the property occupied by a resident and the length of their tenancy.

OCCUPANCY RATE
The ratio between the number of occupied units and the total number of units in a retirement village.

RETIREMENT VILLAGE
Purpose-built age-friendly facilities for independent residents or residents that require low levels of care.

Glossary

BARRIERS TO ENTRY
High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY
Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labour; medium is $0.125 to $0.333 of capital to $1 of labour; low is less than $0.125 of capital for every $1 of labour.

CONSTANT PRICES
The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the 'real' growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the Australian Bureau of Statistics' implicit GDP price deflator.

DOMESTIC DEMAND
Spending on industry goods and services within Australia, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT
The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE
A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT
The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS
Total value of industry goods and services sold by Australian companies to customers abroad.

IMPORTS
Total value of industry goods and services brought in from foreign countries to be sold in Australia.

INDUSTRY CONCENTRATION
An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less

than 40%.

INDUSTRY REVENUE

The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA)

The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE

The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

LIFE CYCLE

All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT

Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT

IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES

The gross total wages and salaries of all employees in the industry.

Call Preparation Questions

Role Specific Questions

Sales & Marketing

How many of your clients are self-funded retirees?

Self-funded retirees represent the smallest market for the industry.

people in this market often sell the family home or use their superannuation as the primary means of funding their retirement, including their tenancy in industry facilities.

How much of your revenue do you generate from accommodation charges?

Accommodation charges include buy-in fees, deferred management fees and recurrent charges (similar to rent or maintenance fees).

Accommodation charges generate almost two-thirds of industry revenue.

Strategy & Operations

What cost control strategies do you currently have in place?

Industry operators often incur significant debt in establishing retirement villages, primarily through the purchase of expansive land and building multiple purpose-build accommodation facilities.

Disciplined cost management is necessary to reduce the risk of default, particularly during periods of low tenancy rates.

Where has your business considered establishing new locations?

Industry firms typically establish locations close to population centres, with New South Wales, Victoria and Queensland home to more than two-thirds of retirement villages.

However, South Australia has a larger share of establishments than its share of the population.

Technology

How do you use technology to ensure the safety of residents?

Security cameras are the most common technology used by industry operators to monitor intruders and residents.

Wireless connections also allow private security firms and village operators to monitor the village from a remote location.

How do you use technology to support the health of residents?

Many retirement villages offer telephone lines that connect directly to an onsite nurse. Some industry operators also offer telehealth services, which allow residents to make video calls to health professionals.

Compliance

What are your thoughts on the ACCC's investigation into Aveo Group?

In July 2017, the Australian Competition and Consumer Commission launched an investigation into allegations of overpriced and exploitative contracts.

This investigation is one of many revelations surrounding the aged care sector that have emerged in recent years, contributing to increased regulatory scrutiny over the industry.

What regulations surround the provision of meals in your villages?

Retirement village operators that provide regular meals must abide by the Australia New Zealand Food Standards Code under food safety programs specifically designed for food service to vulnerable persons.

These regulations are more stringent to reflect the vulnerability of elderly persons to illness and bacteria.

Finance

How does intensifying competition affect your profit margins?

Intensifying competition often forces some retirement villages to lower their prices and rates to obtain a tenancy.

Reducing fees and prices charged can decrease profitability for industry firms.

How do fluctuations in wage costs affect your profit margins?

Wage costs are the largest cost item for industry firms.

Rising wage costs, if not met with growth in revenue, can reduce profit margins.

External Impacts Questions

Impact: Cash rate
How do changes to the cash rate affect your operations?

Retirement village operators often borrow capital to fund equipment acquisitions and village construction, upgrades and expansions.

The cash rate significantly influences the interest rate charged on borrowed capital.

Impact: Real household disposable income
What extra services do you offer at your villages?

Higher disposable incomes allow residents to spend more on extra services offered at villages.

Impact: Population aged 70 and older
What would you say is the average age of your residents?

Most retirement village residents are aged 70 or older.

Internal Issues Questions

Issue: Easy access to further appropriate land for development
How did you choose the land for your village?

Retirement villages located close to hospitals, shopping centres and residents' families are typically in higher demand.

Issue: Willingness to outsource when appropriate
Which of your processes or services do you outsource, if any?

Outsourcing functions such as laundry and meal services can reduce expenses for retirement village operators.

Issue: Having marketing expertise
What is your current marketing strategy?

The Retirement Villages industry is highly competitive.

Effectively marketing to current and potential residents helps firms maintain demand and occupancy levels.

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