

# Retirement Villages – An Institutional Asset Class?

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## Retirement Villages – An Institutional Asset Class?

- Global Ageing Trend
- Requirement for age appropriate accommodation
- Retirement Living Product
  - Australia
  - New Zealand
  - USA
  - UK
- Physical similarities legal and financial differences

## Retirement Villages – An Institutional Asset Class?

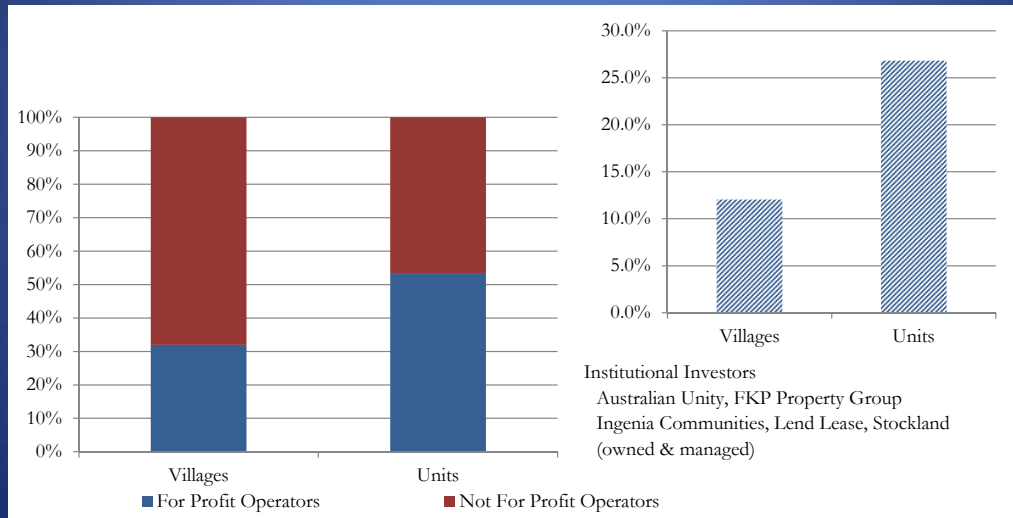
- Australian Retirement Villages
  - 140,000 people aged 55 and over live in Australian retirement villages – ABS Census 2011
  - Penetration Rate – 4.5% (aged 65 and over)

## Retirement Villages – An Institutional Asset Class?

- Australian Retirement Villages
  - Over 2,000 villages
  - Over 120,000 units
  - Average size 59 units per village

# Retirement Villages – An Institutional Asset Class?

- Australian Retirement Villages



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# Retirement Villages – An Institutional Asset Class?

- Australian Retirement Villages
- Institutional Investors
  - FKP Property Group
  - Lend Lease
  - Stockland
  - Ingenia Communities Group
  - Australian Unity Retirement Living Services

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## Retirement Villages – An Institutional Asset Class?

- Australian Retirement Villages
  - Common feature Deferred Management Fee (DMF)
    - Payment made to operator at end of occupation
  - Primary method of valuation Discounted Cash Flow (DCF) analysis
    - Suited to the variability of a village's projected cash flows
    - Dependent on veracity of the underlying assumptions
      - Resident Duration
      - Growth rates
      - Average Turnovers
  - Difficulty in establishing valuation metrics
    - leading to an opaque market for investors

## Retirement Villages – An Institutional Asset Class?

- Monte Carlo simulations in conjunction with DCF analysis address the uncertainty in assumptions .
  - Assign probabilities to these assumptions
  - These probabilities can follow a normal or skewed distribution

# Retirement Villages – An Institutional Asset Class?

- Valuation Metrics
  - Stockland
    - Average resident Duration – 12 years (2007 & 2011)
  - FKP Property Group (ILUs)
    - Average resident Duration
      - 9.7 years, entry before 1990 (2010)
      - 3.6 years entry between 2001 and 2005 (2010)
    - Average Resident Duration – 10 years (2012)

# Retirement Villages – An Institutional Asset Class?

- Analysis
  - 15 Australian Retirement Villages
    - Nearly 2,000 ILUs
    - 1985 to 2012
  - Divided into 5 groups
    - All Initial Residents
    - Initial Residents entering before 1988
    - Initial Residents entering before 1992
    - All Rollover Residents
    - Rollover Residents entering before 1997

# Retirement Villages – An Institutional Asset Class?

- Findings

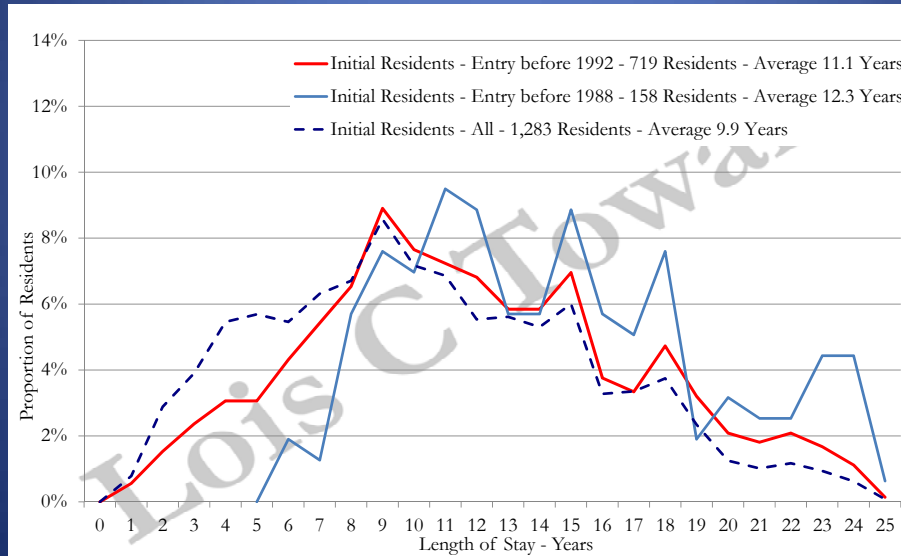
# Retirement Villages – An Institutional Asset Class?

- Initial Residents

	Average Duration	No. of Resident Durations
Initial Residents - All	9.9 Years	1,283
Initial Residents - Entry before 1992	11.1 Years	719
Initial Residents - Entry before 1988	12.3 Years	158

# Retirement Villages – An Institutional Asset Class?

- Initial Residents



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# Retirement Villages – An Institutional Asset Class?

- Rollover Residents

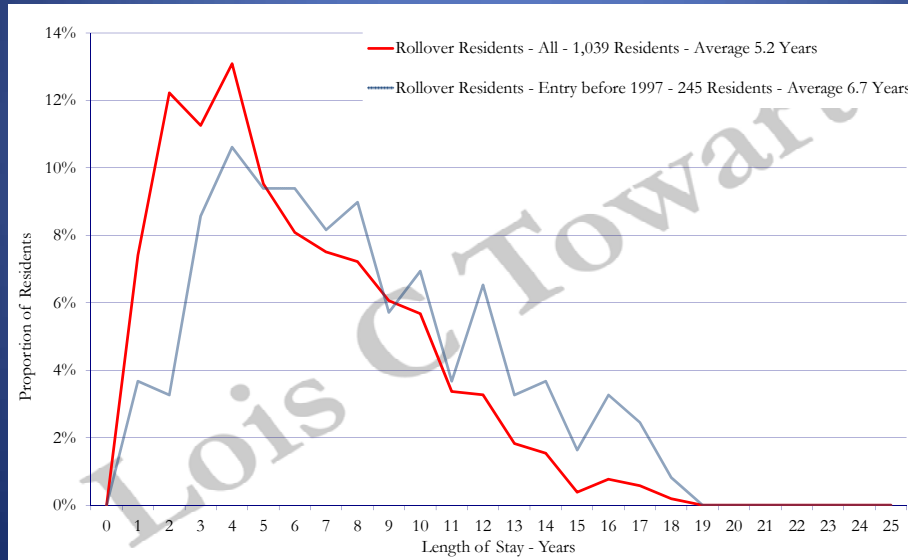
Sample Group	Average Duration	No. of Resident Durations
Rollover Residents - All	5.2 Years	1,039
Rollover Residents - Entry before 1997	6.7 Years	245

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- Rollover Residents



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# Retirement Villages – An Institutional Asset Class?

- Current Residents

Sample Group	Average Duration	No. of Resident Durations
Current Residents - All	9.1 Years	1,813

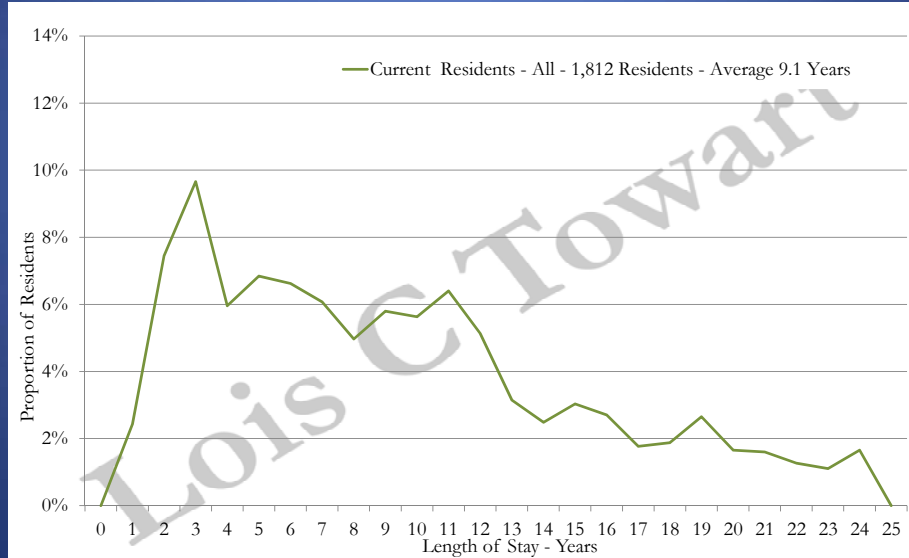
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- Current Residents

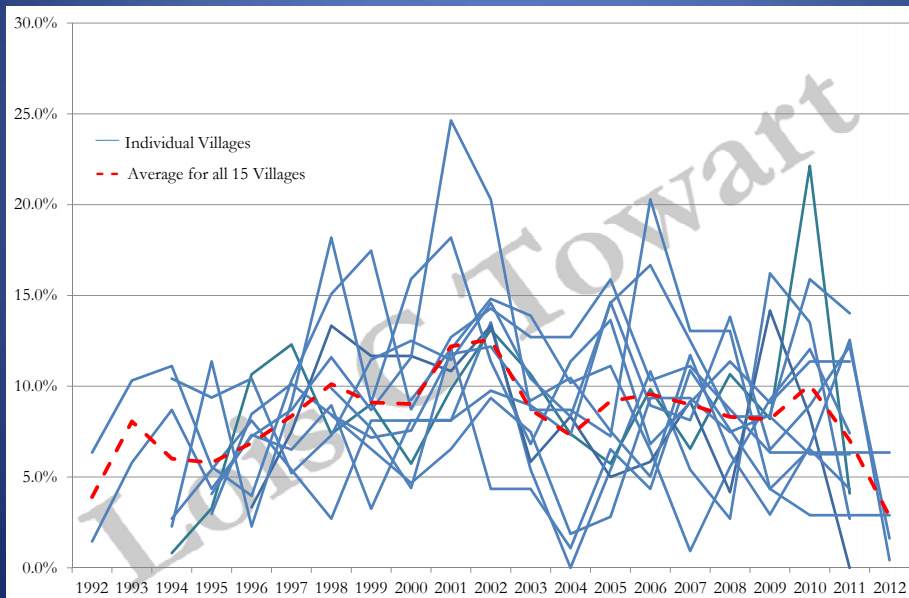


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# Retirement Villages – An Institutional Asset Class?

- Average Annual Turnover



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# Retirement Villages – An Institutional Asset Class?

- Australian Retirement Villages
- Conclusions
- Resident Duration
  - There is a significant difference between Initial Residents and Rollover Residents
  - The relative frequencies of the distribution are skewed not normal
  - Current Residents
- Average Annual Turnover
  - Wide variation
  - Village specific factors
- Valuation and Investment Metrics complex

# Retirement Villages – An Institutional Asset Class?

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