Lend Lease Primelife

6 August 2010

Stewart Plain
Director
Productivity Commission - Caring for Older Australians
PO Box 1428
CANBERRA CITY ACT 2601

By Fax: (02) 6240 3311
By email: agedcare@pc.gov.au

Dear Mr Plain

Submission to the Productivity Commission – Caring For Older Australians

The management team of the Lend Lease Primelife - Retirement Living (LLP) would like to thank you for the opportunity to provide a submission to the Productivity Commission in relation to the inquiry into caring for older Australians.

Introduction

The retirement village Industry provides an opportunity for consumers over the age of 65 to choose a lifestyle more aligned with their desire to age in place in an environment specifically designed for an older population. Villages provide significant social interaction, infrastructure and choice in relation to health and lifestyle. A valuable community knock on effect of residents moving into villages is that it frees up valuable residential accommodation to meet the growing population needs of most towns and cities across Australia.

Whilst all stakeholders including residents, operators, State and Federal Governments have all benefited from a viable retirement village industry over the past decades, continual regulatory change over time have created and continue to create more challenges for the industry. To this end, the constriction on cost recovery from residents and lack of funding and support from government continue to threaten the viability of some operators in the sector and certainly deter private investment and new accommodation to be constructed. All future stakeholders need to keep the Retirement Village industry competitive and viable to attract ongoing private investment and alleviate the pressure on government funding in public housing and aged care.

The Industry Sector

The retirement village industry in Australia comprises over 114,000 accommodation units providing accommodation for over 145,000 retirees. LLP operates 58 retirement villages in Australia providing over 10,800 accommodation units to over 14,500 seniors. Currently, LLP has a net investment of over $900m in its retirement portfolio and over time $2b has been committed by the business through acquisition and development of these communities.

The entry price to a village is typically 80% (or less) of the median house price in the locality. The decision to move into a retirement village is generally made in order to downsize and reduce domestic obligations such as cleaning, maintenance and gardening. The decision is made easier as residents can use the surplus from the sale of their home for lifestyle benefits, assistance with everyday living activities or help with personal care and health care, where adequate or appropriate funding is not available. This is also especially important to those that have not adequately planned their retirement through superannuation contributions. The ongoing costs in the village are generally much less than staying in the family home.

The concentration of retirees in a village achieves significantly reduced domestic costs such as repairs and maintenance, insurance, security, emergency response and telephone line rental. This is especially the case in larger villages or for multi-site operators such as LLP.

By way of example, a resident in an LLP retirement village need only pay between $280 to $500 per month (depending on the size, location and facilities of the retirement village) to cover village management and maintenance staff costs, council rates, water rates, repairs and maintenance, insurance, security, emergency response, village bus, a community centre, swimming pool, gym, bowling green. Other than the emergency response costs, most of the costs are associated with accommodation, not care.

In addition to the financial accommodation benefits to residents, the sector offers care, lifestyle, security, community and companionship to a growing population, thereby reducing pressure on existing social infrastructure and the obligation on the public sector to meet such needs in future.

In a retirement village, development infrastructure such as roadways, footpaths, kerbs and street lighting are maintained by sinking funds, long term maintenance funds or capital replacement funds that are funded by the residents and or the operator. In some cases council services such as rubbish collection is also paid for by residents directly to private companies. Village facilities such as gyms, libraries, bowling greens, aquatic facilities and village centres mean there is little need for residents to use the public facilities.

Accommodation Types

Independent Living Units and Apartments

The most common type of retirement village accommodation is a villa or unit, generally one, two, three and sometimes four bedrooms. Generally these units form part of either a broad acreage or medium rise development and are designed for independent living. The design of villages, provides for specific and diverse housing, and allows for care and hotel services to be provided in a more cost efficient manner than in the broader community

Serviced Apartments

An alternate form of accommodation provided in retirement villages is a serviced apartment. Serviced Apartments ("SA's") are typically studio apartments (sometimes referred to as bedsit apartments) or one bedroom apartments. SA's provide supported accommodation for residents who require some assistance with daily living. In addition to the accommodation services and emergency response, outlined above, services in SA's typically include the following:

Hotel Services

- Weekly apartment clean
- Full linen change
- All meals provided (generally in the communal dining room)
- Laundry
- Bed making
- Disposal of rubbish and recycling
- Cleaning and defrosting of refrigerator
- Dusting
- Daily walk
- Reading or letter writing
- Newspaper delivery
- Butler services

Personal Care Services

- Showering assistance
- Dressing
- Undressing and assisting into night clothes
- Compression stockings –on/off
- Shaving-electric
- Setting out clothes
- Hair washing
- Grooming assistance

Challenges for LLP and the Industry

High vacancy of Serviced Apartments

Of the 10,800 accommodation units in LLP's Australian portfolio, approximately 1,000 of these are serviced apartments. Due to many challenges in recent years, over 300 of these units (more than 30%) are now vacant. Any efforts to resell vacant SA's have become increasingly difficult as Government has progressively provided funding through HACC, CACPs and EACH packages to ensure the elderly remain in their own homes. This is disappointing as serviced apartments offer a range of benefits including the ability to provide services and care economically, the ability to optimise land in positions that are close to infrastructure and the ability to provide social interaction and companionship.

The challenges faced by the industry in relation to SA's can be summarized as follows:

- **Service Fees** – In SA's the monthly service fees are funded entirely by the residents. In the LLP portfolio, monthly service fees range from $1300 pm to $2000 pm. Service fees greater than $1400 pm are a large stumbling block across the portfolio as at this point the service fees exceed the single aged pension rate. Whilst some seniors may prefer to reside in a serviced apartment and amongst other services, benefit from a community environment, companionship, freshly cooked meals and on-site care staff, they choose to reside in their own home where they can access HACCs and CACPs funding and associated services.

- **Loss of Pension**- With the struggling sales of SA's in recent years, the natural market reaction has been to decrease the apartment prices. The average price of a SA in the LLP portfolio is now $160,000 compared to a median house price of $660,000 in the respective areas of where the SA's are located. This means that when a senior sells their home to purchase a SA, the residual funds (approx $440,000) are captured in the pension asset test and they lose their aged pension. This is contrary to the treatment under residential aged care where a resident's former home is exempt from the pension assets test for two years (and longer if the person's partner is living at home). Residential aged care also has another alternative not available for SA's. A resident's former home can be rented out to pay some or all of a periodic accommodation bond payment, with the former home and rental income exempt for as long as the periodic payment is made.

Therefore it is our opinion that whilst community care packages were developed in response to research that indicates most aged people have a desire to receive assistance in their own home. Unfortunately the current regulatory and funding structures have inadvertently steered seniors to remain in their home alone as opposed to look for community alternatives such as SA's. With this, it is our recommendation that the following areas should be considered by the Productivity Commission.

- Ensure funding is allocated so that that choices are not limited
- Ensure that funding allocation is based on the costs of providing services not on the funding sources.
- Ensure funding and care is allocated and accessible to those that cannot afford to pay for services they need.

Development Challenges

LLP is continually challenged in relation to the development viability of retirement villages. Due to the continuing regulatory restrictions being placed on retirement village operators and developers, new developments are becoming less viable and more difficult than they once were. Lend Lease Corporation is also involved in residential developments through its Delfin Lend Lease and Vivas Lend Lease brands. When the business compares the development returns of traditional residential developments to retirement developments, the returns are much greater for traditional residential development, thus the allocation of funding is to where the returns are greater. Retirement village development also increases density (due to the smaller footprints of a typical retirement village unit) and so plays to the state government's objectives of increasing density in the key urban centres. Given the benefits provided by retirement villages as outlined above, it is imperative that that the private sector is incentivised to continue to invest into the retirement sector. It is our recommendation that the following areas should be considered by the Productivity Commission:

- GST/Income tax concessions for the retirement industry
- Subsidised care services to be more accessible and easier to administer
- Planning regulations to be more flexible for retirement village developments
- Concessions be provided for council rates and taxes given the
- Infrastructure or building grants

Please do not hesitate to contact me on (03) 8699 3300 if I can provide further detail. We look forward to discussing this submission in person at your convenience.

Yours faithfully

TONY RANDELLO
GENERAL MANAGER – RETIREMENT LIVING
LEND LEASE PRIMELIFE LIMITED