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RE Skyline Place – Stage 2, Senior Housing Demand Analysis – Panel Submission

Macroplan have been engaged by Platino Properties (Client) to undertake an independent assessment of the current supply and demand relating to the seniors housing stock within the Northern Beaches LGA and to make representations and commentaries to Northern Beaches Council on its behalf in this regard.

As you are aware, Council is currently assessing an application made by Platino Properties for a seniors housing community development at Skyline Place in Frenchs Forest. The subject proposal comprises 108 units consisting of 93 senior's apartment, 10 units for Project Independence (A Registered Community Housing Provider that provides housing for people with an Intellectual Disability), a carers unit for Project Independence and 4 units for woman over 55 approaching homelessness. In total 14% of dwellings are allocated for affordable and social housing. Additionally, there are associated common areas and approximately 1,000 sqm of floorspace for commercial / medical suites / health care related uses.

Upon our initial appraisal (February 2021), Macroplan addressed the current and projected demand and supply of ILUs in Frenchs Forest (suburb) and the Northern Beaches (LGA). The purpose of our current assessment is to determine the updated status of seniors' housing supply issues, specifically with regard to:

- the identified projected growth of the elderly population within the Northern Beaches,
- the overall existing and projected supply shortage of modern senior housing stock required to cater for the projected growth of the elderly population within the Northern beaches. Also, the existing and potential supply shortage of housing suitable for people with a disability; and
- the obsolescence of existing senior housing stock within the Northern Beaches, noting that the vast majority of ILU's are considered to have exceeded their useful life and therefore are not sufficient to meet the current and forecasted demand requirements (needs) of the elderly population.
- the Department of Planning Industry and Environment - Frenchs Forest 2041 place strategy and the Northern Beaches Local Housing Strategy.

Executive summary

Our findings indicate that:

- There is a critical need for additional (modern) ILU's in the Northern Beaches area in order to cater to its ageing population. There is also an urgent need for developments which provide SDA housing which will provide a quality of life for people with disability. If approved, the proposed development could provide a

key contribution in both addressing the current and deteriorating senior housing supply shortfall, whilst ensuring that the quality of new supply is sufficient to meet the standards demanded by the current market.

- The supply of ILU housing (Table 2) has been and continues to significantly lag behind demand. That shortfall is expected to grow by 275 ILUs over the next 5 years (2021-26) creating a cumulative shortfall of 623 units by 2026 which then continues to grow out to 2041 as the retiree age cohorts in the Northern Beaches grow. If the current low rate of supply continues, the cumulative shortfall will likely rise towards the 2,000 mark by 2041.

The calculated shortfall noted above takes into account supply to be provided from the Frenchs Forest Town Centre (Table 2) and any known approved pipeline (assuming this all proceeds). It assumes supply of 500 ILUs over 2026-41, in line with period rate supply over 2016-26.

- In the period 2016-21, the Northern Beaches Local Housing Strategy NBLHS (2021) report has only 128 ILUs being added to the stock – well short of the likely demand of the order of 400 ILUs in this period. However, this is not a new trend but the continuation of two decades of low additions to the stock of ILUs.
- The NSW Government projections (Table 1) for the Northern Beaches have its population forecast to grow from 265,450 (2016) to 296,650 (2041). More significantly, growth in the 55+ age in the Northern Beaches cohort is expected to account for over 100% of the growth in the Northern Beaches population over the next 15-20 years. Growth in the 70+ age cohort – the key driver of demand for ILUs – will be even faster, increasing by 56% by 2041.
- The majority of ILUs are over 30 years old and, with changing expectations, are becoming less attractive to potential downsizers.
- If we look at the pipeline of known proposed projects for new ILUs over the next 5 years (2021-26), there are about 200 if all projects proceed to completion, which is an optimistic assumption. Regardless, this number falls well short of estimates of demand of about 480. Given the low levels seen in 2016-21 and over the past two decades, it seems clear that supply is not going to come close to matching the projected growth in demand. A growing shortfall seems inevitable.
- In a largely developed urban area, with very few greenfield sites, finding and aggregating sites in established areas for redevelopment is an expensive proposition. If projects like that proposed by Platino are not to be allowed, then it is difficult to see the supply of ILUs – and SDAs - coming anywhere near matching projected growth in demand.
- If retirees and empty nesters are to be encouraged to sell large houses and downsize (which will facilitate Council's objectives to increase housing capacity) there needs to be a scope for new ILU product which makes it attractive for this market segment to downsize.
- If immediate action is not taken, then the projected senior housing supply shortage could generate significant stress, at a cost to future senior residents but also to future young households looking for housing options.

Our conclusion is that all of the above factors can be addressed through the approval of a modern, sustainable, and integrated senior housing development (such as the proposed retirement community) within the Northern Beaches.

Disability Housing

- In the Northern Beaches, National Disability Insurance Scheme (NDIS) data indicates demand for specialist disability accommodation (SDA) housing by people under 65 with a disability is for about 370 dwellings but that there is a shortfall of 100-200 dwellings (27-55% of demand). While a concerning number, if we add in demand from people over 65, demand and the shortfall will only be higher still – a shortfall as high as 300 dwellings. Disability rises with age, and is substantially higher for those aged 65+, so the total demand will be substantially higher and the shortfall in SDA housing also correspondingly higher.
- In addition, in response to lack of SDA supply in the Northern Beaches, people tend to migrate out of Northern Beaches to areas in Sydney with affordable/suitable SDA housing, reducing apparent demand. With an aging population, the risk is that the shortfall in SDA housing in the Northern Beaches – already substantial - is only going to grow. As the AIHW reports have highlighted, this is a significant issue for the quality of life of people with disability.

Growth of the elderly population and the need for seniors housing product

The Northern Beaches (NB) demographic profile reflects that of a rapidly ageing population. The population aged 55+ has grown by 22% from 64,800 or 26% of the total NB population in 2010 to 78,800 and 29% of the total population in 2020.

Moreover, this trend is only expected to continue. NSW Department of Planning and Environment (DPE) projections have the 55+ age cohort growing by close to 30% or by over 100,000 over the next fifteen years, rising to 35% of the population in the Northern Beaches in 2036. Over the same period, the population aged 0-54 is expected to actually contract. Put another way, growth in the 55+ age cohort will account for over 100% of the growth in the population over the next 15 years.

Within that 55+ age cohort itself, the share of the older age cohorts is growing even faster. Over the period 2010-2020, the population aged 70+ - the prime driver of demand for ILUs - grew a faster 30% and the DPE projections have it growing by 40% over the next 15 years to 2036 and 56% by 2041.

Table 1. Population projections, Northern Beaches Council Area, 2016 to 2041

	2016	2021	2036	2041	Change (21-36)	% (21-36)	Change (21-41)	% (21-41)
0-19	67,343	69,926	68,085	67,347	(1,841)	(2.60%)	(2,579)	(3.70%)
20-29	29,458	26,921	29,597	30,642	2,676	9.90%	3,721	13.80%
30-54	95,807	93,743	89,748	90,710	(3,995)	(4.30%)	(3,033)	(3.20%)
55-69	42,090	44,383	52,605	53,962	8,222	18.50%	9,579	21.60%
70+	30,770	34,623	48,396	53,965	13,773	39.80%	19,342	55.90%
Total	265,468	269,596	288,431	296,626	18,835	7.00%	27,030	10.00%
55+ Age Cohort	72,860	79,006	101,001	107,927	21,995	27.80%	28,921	36.60%

Source: DPIE NSW Population Projections, Northern Beaches Council

For the housing market this has significant implications. The older age cohorts generally wish to remain independent but, at the same time, require more assistance in their living particularly as they enter the 70+ and higher age brackets. In response to that, a proportion will seek to downsize to dwellings which require less daily maintenance and more ready access to amenities. The actual propensity to downsize, however, depends on affordable options being available, particularly as typically these people have a preference to stay in the local area where they have their long-established community networks.

In that regard, a feature of the housing market in the Northern Beaches is the high proportion of older age cohorts who live in detached housing on large lots. The 2016 Census has over 68% of the population in their 60s living in detached housing, only declining to 55% for those aged over 80. The proportion living in apartments, including ILUs, is only 22% rising to 29% in their 80s.

It is estimated that in 2021, ILUs in the Northern Beaches would be housing about 4,950 residents, or about 6.3% of the population aged 55 and over. Within the 55+ age cohort, the penetration ratio is about 1.9% for those aged 55-69, but a much higher 13.5% for those aged over 70 years.

The share of the market of ILUs has been in decline. In 2001 over 7% of the 55+ age cohort were living in ILUs and in earlier years the proportion would have been higher still, so the 6.3% share represents a trend decline.

If we take the DPE population projections and apply the estimated 2016 penetration and occupancy ratios, we can generate demand for ILUs out to 2041. This has demand growing by close to 1,700 ILUs to 2036 and 2,200 ILUs by 2041. These estimates are in line with estimates of demand in the Northern Beaches Local Housing Strategy (Table 8 page 60).

Macroplan maintains a database of the stock and location of senior housing in the Sydney market. As of December 2021, this indicates a stock of 4,272 ILUs in the Northern Beaches Council area (in the Northern Beaches Local Housing Strategy 2021 (NBLHS (2021))), the SGS estimate is 4,324 ILUs, or approximately the same.) Of this stock, only 2% are detached houses, with 45% being townhouses and 53% flats or apartments. About 10% of the stock is unoccupied (Census 2016), which allows for the time taken to re-sell ILUs when occupants leave.

Obsolescence of outdated senior housing which does not meet today's requirements

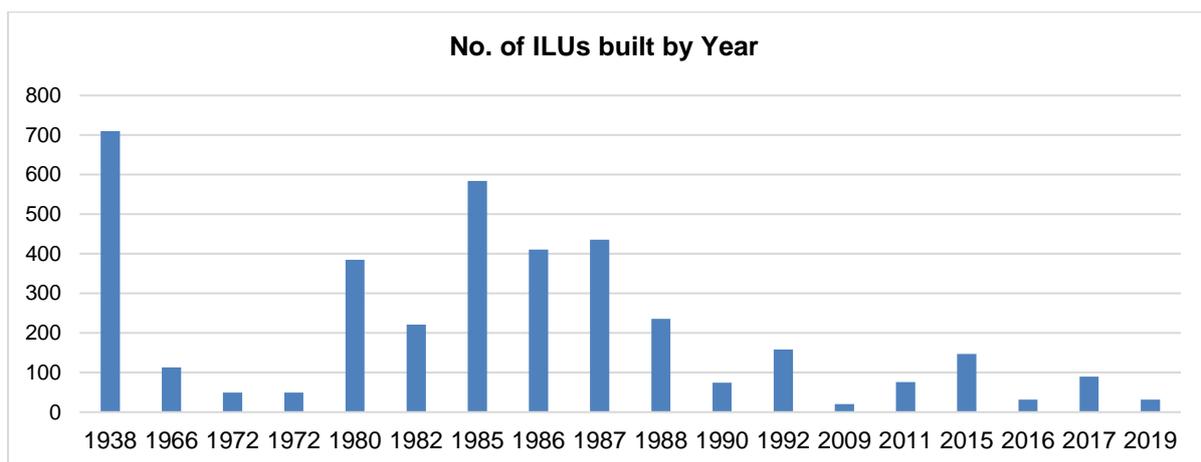
The mean age of the stock of ILUs is 42 years or, excluding the RSL War Veterans Retirement Village at Narrabeen which was built in 1938, still over 33 years old. Apart from the RSL Village, most of the stock was built in the 1980s or early 1990s. Macroplan's database indicates that 90% of the current total stock of retirement villages¹ were built by the early 1990s, while only 10% or about 400 ILUs have been built in the first two decades of the 21st century. In the period 2016-21, the NBLHS (2021) report has only 128 ILUs being added to the stock – well short of the likely demand of the order of 400 ILUs in this period. However, this is not a new trend but the continuation of two decades of low additions to the stock of ILUs.

¹ Refers to senior housing developments with dwellings which allow for independent living but provide shared community facilities and some care services. Distinguished from assisted care and more intensive nursing home facilities.

The ageing of the ILU stock is an issue as, with changing expectations, old stock is becoming less attractive to potential downsizers. Standards for access, open-space, internal unit accessibility amongst many other elements have taken on much greater consideration statutorily as well as in relation to market expectations. Owners of the ILU stock can upgrade the stock, which some have done, but this can be a slow process when it requires taking stock out of the system.

The bigger issue, however, is the clear evidence on the lack of new additions to the ILU stock. The apparent decline in the penetration ratio of ILUs since 2001 reflects the lack of new supply in recent times, not a lack of demand. The PWC/Property Council 2018 report on retirement living noted that most of the new stock in NSW in recent times has been built in the regions, notably the Central Coast, Hunter and Far North Coast, locations where supply is more responsive. The not-for-profits and other investors will naturally gravitate to the Council areas where sites are more readily available and Councils are more receptive. With limited capital, they will steer clear of Councils where there is resistance to their efforts.

Figure 1. Estimates of Year of Additions to the Quantity of ILUs in the Northern Beaches Council Area, 1938 to 2021



Source: Macroplan Database of ILUs and Northern Beaches Council Directory of Retirement Villages and Aged Care Providers

Supply-Demand Gap

With demand for ILUs projected to grow strongly in the next 15-20 years, and the need to lift the quality of ILUs, what is the likelihood of supply meeting that demand. Given the actual experience in the past two decades, and in 2016-21 when only 128 ILUs were added leaving a shortfall to demand of about 350, that would likely be optimistic. If we look at the pipeline of proposed projects for new ILUs over the next 5 years 2021-26, this indicates potential – if all projects proceed - for the stock to grow by just over 200 ILUs. However, about 40% of that new supply reflects projects which the Council has strongly opposed. And, even if that growth in the stock is achieved, it will fall well short of growth in demand of closer to 500, leaving a shortfall of about 300, and lifting the cumulative shortfall since 2016 to over 600. The pipeline beyond 2026 is unknown but, based on this past experience, it is highly unlikely that supply is going to come close to matching the growth in demand. The cumulative shortfall could rise towards 2,000 by 2036.

In the Northern Beaches Local Housing Strategy, this level of demand is acknowledged with reference to the need for 21 new developments each of 81 ILUs by 2036. However, there is no reference to the current reality of supply being unable to come close to matching demand or, looking forward, any discussion of how current policies would allow for even the possibility of 21 new developments.

In the Northern Beaches Hospital Precinct Plan (NBHP), which is a major source of dwellings for the Northern Beaches, it is assumed that over 92% of the population will be aged under 55. In keeping with that expectation, it makes reference to there being room for one “aged care facility” which would be more likely a nursing home. There is no expectation of scope for ILU developments in the Precinct which reflects the likelihood that build-sell apartment developments will out-compete ILU developments in the Hospital Precinct.

Table 2. Projections for Demand and Supply Shortfall in ILUs, Northern Beaches Council Area, 2016 to 2041

	2016e	2021	2026	2031	2036	2041
Demand for ILUs ¹	4196	4673	5150	5740	6377	7033
Change in Demand		477	478	589	637	657
Supply from Known Pipeline		128	203	0	0	0
Supply from Frenchs Forest Town Centre ²			0	0	0	0
Shortfall		(349)	(275)	(589)	(637)	(657)
Cumulative Shortfall		(349)	(623)	(1213)	(1850)	(2506)
NB: NBLHS /SGS Estimate of Demand in 2036 ³					6,256	
1	Demand for ILUs - 2016 penetration ratios and 2016 Census estimates of persons per occupied ILU (1.32) and vacancy rates (9%).					
2	NSW Department of Planning Industry and Environment - Frenchs Forest 2041 Place strategy (Page 19, Page 22 – 250 aged care beds only)					
3	Northern Beaches Local Housing Strategy - page 50, Table 8. Using the same DPE population projections and likely similar assumptions on occupancy and penetration ratios, SGS estimates demand for 6256 ILUs in 2036, only marginally lower. The LHS, page 50, notes the projected supply gap of Retirement Living (self-contained independent living units & assisted living units) of 2,562 units and 765 aged care beds to 2036					

In a largely developed urban area, with very few greenfield sites, finding and aggregating sites in established areas for redevelopment is an expensive proposition. When we look at the projects in the pipeline for 2021-26, about half are small developments with 4-8 dwellings which, in terms of what they offer, are effectively strata apartments. These developments are not going to offer the amenities and/or financial options which retirees seek from ILUs. If projects like that proposed by Platino are not to be allowed, then it is difficult to see the supply of ILUs coming anywhere near matching projected growth in demand.

The trend decline in the share of ILUs points to a high degree of unmet demand, which will only worsen as supply continues to fail to keep up with demand. That is, if there were more stock of ILUs of the right quality and in the right locations, the proportion of the population who would choose to live in ILUs would be higher. In addition, in the current market, we would note that demand for ILUs is very strong, with high prices encouraging people to look to downsize from their large family homes. However, lack of supply is restricting the capacity of people to make this transition.

Facilitating an increase in housing capacity

If retirees and empty nesters are to be encouraged to sell large houses and downsize (which will facilitate Council's objectives to increase housing capacity) there needs to be a scope for new ILU product which makes it attractive for this market segment to downsize.

Submissions made by some NB residents in support of the Platino development have highlighted the appetite by local residents within the NB community to downsize to ILU developments. One petition perhaps summed it up best: as supply of ILUs "will allow us to stay in an area we love, stay active, maintain our financial freedom, access care services we need and provide us with a safe community and appropriate accommodation which is very important to us at this stage of our lives."

To this point we have focussed on the needs, and implications for, the retiree population. However, there are also significant implications for the younger residents in the Northern Beaches area. In an indirect way, there is competition between retiree/senior households and family households in the detached housing market, bearing in mind that the supply of detached houses in the Northern Beaches LGA has very limited scope to grow. While a proportion of seniors do downsize out of their family/detached house, a high proportion choose to stay, in part because of the lack of options.

With the senior population projected by DPIE (2019) to account for about 105% of the projected population growth in the Northern Beaches in the period to 2036, and then beyond, if the proportion of seniors staying in the family/detached house remains the same, then simple math says that the proportion of detached houses occupied by family households (with children) must decline. In the competition for the available supply, it will be the high-income households which prevail. Young family households, including those of the young generation which grew up in the Northern Beaches, will be forced to move elsewhere.

A Shortfall in Specialist Disability Accommodation (SDA) Housing

The National Disability Insurance Scheme (NDIS), which funds people with a disability aged under 65, has assessed a demand for 222 specialist disability accommodation (SDA) dwellings designed to cater to their needs in the Northern Beaches. Measured against supply of 156 suitable SDA dwellings, this points to a current shortfall of 66 SDA dwellings. By 2023, when the NDIS is expected to be fully operational – that is, all eligible people participating – demand is projected by the Department of Social Security² to be about 65% higher which would take demand for SDAs in the Northern Beaches to 367. With a pipeline of only two developments accommodating 9 persons, the shortfall would rise to between 100-202 dwellings, or 27%-55% of demand.

However, while this represents a substantial shortfall, this probably understates both demand and the likely shortage for several reasons. Firstly, disability rises with age and is more prevalent in people aged over 65 – Census data for NSW for 2016 indicates 19.8% of persons aged 65 and over have a severe disability requiring assistance in living vs 3.1% for those under 65. This corresponds with increased demand for SDA housing. Secondly, consistent with that, the NDIS data has a much higher incidence of demand for SDA housing in the 55-

² Department of Social Security NDIS Demand Map <https://blcw.dss.gov.au/ndis-demand-map/>. Midpoint of DSS estimates of demand used.

64 age cohort than in younger cohorts. These factors point to demand rising with age and to demand for SDA housing across all ages being significantly higher and the actual shortfall likely being correspondingly higher than suggested by the NDIS data. An estimate for the shortfall in the order of 300 plus would probably be conservative.

In addition, the apparent incidence of disability in the Northern Beaches is much lower than across NSW – 2016 Census data has 1.5% of the population under 65 in the Northern Beaches requiring some assistance vs 3.1% for the State. While the incidence of disability is independent of socioeconomic status, AIHW research³ shows that disability leads to worse outcomes for the affected persons in terms of income, employment and access to affordable housing. The high cost of housing in the Northern Beaches, the general lack of supply of affordable housing and, for those with an accommodation need, the lack of supply of affordable SDA options – leads to people migrating to areas which do have more affordable/suitable options. With people with disability being squeezed out, it means demand for SDA dwellings will highly likely be understated.

With the population of the Northern Beaches aging, as outlined for the position with ILUs, demand for SDA dwellings and the associated shortfall are only likely to grow. The evidence from the NDIS pipeline of new SDA dwellings - which has only two developments accommodating 9 persons - is not encouraging that it will keep up with growth in demand let alone make inroads into the shortfall.

The shortfall in supply of suitable and affordable SDA housing has significant implications for the quality of life of these people. If people have to move to more distant parts of Sydney away from family and friends, it diminishes their quality of life. In addition, at some point, when the level of care rises to a critical point, people with a disability will move into nursing homes. However, the lack of SDA housing contributes to some people – including some young people - moving into nursing homes when suitable SDA housing would allow them to continue to live independently for longer and enjoy a higher quality of life. As the AIHW 2020 report on People with Disability in Australia notes (page 107): “While for some people with disability, residential aged care is a choice, generally younger people are considered to be better served by other services for their long-term needs.”

Conclusion

In short, there is a critical need for additional (modern) ILU's in the Northern Beaches area in order to cater to its ageing population. There is also an urgent need for developments which provide SDA housing which will provide a quality of life for people with disability.

If approved, the proposed development could provide a key contribution in both addressing the current and deteriorating senior housing supply shortfall, whilst ensuring that the quality of new supply is sufficient to meet the standards demanded by the current market (e.g., quality of product, increased space, integration of services, proximity to transport, hospital services and amenities, etc). It will also provide some very much-needed SDA housing where there is a clear and growing shortage.

In summary, with the fast growth in the senior demographic in Northern Beaches and the increased appetite for more modern, spacious, and integrated ILUs, demand is already strong and projected to increase for the

³ Australian Institute of Health and Welfare (AIHW) report on People with Disability in Australia 2020

foreseeable future. If immediate action is not taken, then the projected senior housing supply shortage could generate significant stress, at a cost, to future senior residents but also to future young households looking for housing options. In addition, given the manifest need for SDA housing, if immediate action is not taken to address that, it is going to impose a significant on-going detriment to the quality of life of disabled people.

Should you wish to discuss any of the information contained in this response, please contact Nigel Stapledon on 0403921644.

Yours sincerely,

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