

7th June, 2021

Mr Simon Militano
Development Director
Platino Pty Ltd
Suite 11, 20 Young Street
NEUTRAL BAY NSW 2089

Dear Simon,

Re: Vertical Retirement Community Requirements

Thank you for the opportunity to provide specific comment regarding information on developing a sustainable over 55's community and the essential elements in this process.

In response to your request, I have also briefly outlined my background in this sector:

Valuation Experience

Employment – 2001 to Current

- Partner– Knight Frank Health and Aged Care with more than 30 years' experience in property valuation. First qualified as a Valuer in 1986. Specialising in retirement village, residential aged care and private hospital sectors since 1999.

Employment – Past

- Senior Valuer, FPD Savills, (now trades as Savills)
- Senior Valuer, Herron Todd White (now trades as Charter Keck Cramer)

Professional Qualifications and Activity

- Certificate of Business Studies - Real Estate (RMIT)
- Associate Diploma in Valuations – (RMIT)
- Graduate Diploma In Applied Finance & Investment (FINSIA)
- Associate Member Australian Property Institute – Certified Practising Valuer and Certified Practising Valuer (Business)
- Licensed Valuer Western Australia (LV 44155)
- Fellow Financial Services Institute of Australasia
- Licensed Real Estate Agent

Background and Experience

- Provided advice including valuations of major portfolios of residential aged care facilities and retirement villages across Australia.
- Broad range of valuation and advisory assignments including extensive experience involving retirement village properties and residential parks (manufactured home parks), including partial interests.
- Property types include vertical, premium and villa style retirement villages in regional and metropolitan locations.
- Valuation and advisory assignments for mortgage security, financial reporting, rating appeals, acquisition and disposal purposes.
- Experience as an expert witness in the Victorian Civil and Administrative Tribunal, the Magistrates Court, Family Court of Australia and Federal Court.
- Investment advice to superannuation funds, other financial institutions and private investors regarding the retirement village sector.
- Valuation of numerous development projects and assessment of actual/projected returns relative to required performance benchmarks of partially completed retirement villages.
- Advisory assignments for acquisition, disposal, due diligence, strategies for village planning, market repositioning, and development feasibilities.
- These have included instructions from throughout Victoria, New South Wales, Tasmania, Western Australia and previously Queensland.
- Chair of the Melbourne University Property Advisory Board.
- Spoken to industry/client groups on the health care property sector:
 - Retirement Villages Association (now Retirement Living Council)
 - Lexis Nexus.
 - RMIT Undergraduate Property Course Guest Lecturer (2007 & 2016).
 - Melbourne University Guest Lecturer – Health & Aged Care Property for students of “Property Markets and Valuation” Masters Subject (2016 – present).
 - NAB
 - Westpac Bank/Bank of Melbourne
 - Municipal Group of Valuers
 - Hallmark Conferences – Local Responses to an Ageing Community
 - University of Queensland & Australian Property Institute on Retirement Village, Aged Care and Private Hospitals.
 - Australian Property Institute - Retirement Village and Residential Aged Care Facilities.
 - Royal Institution of Chartered Surveyors – Valuation of Retirement Village and Aged Care Facilities.
 - Sustainable Retirement & Aged Care Conference, Kuala Lumpur.
 - DCM Media Guest Speaker 2021 for Village Managers Course on the Valuation of Retirement Villages

Executive Summary

The purpose of this document is to outline the critical success factors for an over 55's vertical village / community. It is essential to create the right number of units for scale, affordability, services and community interaction to avoid creating an unsustainable and unviable community. It has been my experience that the design / approval stages of creating a vertical community are critical to ensure the long term viability and affordability for residents' many of whom will rely on an Aged Pensions for at least part of their income.

This document has been prepared to offer comment on the features of a sustainable Vertical Over 55's communities that have observed, in order to ensure long-term viability and mitigate challenges for the residents.

Features of Long-Term Viability of a Vertical Over 55's / Retirement Community

Emergency Call

A growing feature in retirement villages and over 55's developments concern amongst the elderly population is the emergency call system. This is currently present in 91% of retirement villages. The average age in New South Wales retirement villages is 81 years and emergency call systems are integral to ensure residents will be safe and given urgent first aid attention when required. Stakeholders, including families of residents see this as one of the most important attributes of retirement services. At Jardin, this will be responded to by a Concierge during business hours and triaged after hours by an offsite service such as INS Lifeguard or Tunstall.

Social Areas

The social aspect of retirement is a modern phenomenon that will ensure longevity of the facility. For example, with 92% of retirement villages offering some form of organised social facilities. Given the location in Frenchs Forrest, similar to the Australian retirement village resident profile, where 60% of independent living units are occupied by single residents and 97% of all residents participate in community based activities, such facilities are of the high importance. It is critical to the long term sustainability of a retirement community that many of the features listed below are provided to residents to enhance their way of life and meet their requirements at a financially sustainable level. In the instance of Jardin, the proposal is to include the following:

- Gymnasium
- Café/restaurant
- Office facilities
- Function room
- Meeting/dining area
- Lounge area
- Wellness centre
- Men's Shed
- Library
- Bar
- Theatre
- Swimming Pool

The social areas listed above allow for both a public and private setting. Social areas such as dining rooms and function areas are often used by residents on a daily community basis, but they are also available for private booking to allow residents to host their more intimate family or social gatherings within the village. It is also worth noting that over 55's developments or retirement villages offer much of the amenity that would be desirable in a local area. For example, gymnasiums can be used for Personal Training sessions, in addition to other allied health services, that provide support in maintaining health and mobility for the elderly.

The inclusion of an over 55's development as proposed, would be of suitable style, scale and form for the current market preferences.

Our records show that throughout Australia, the importance of community space is highlighted and best observed by the ratio of independent living apartment to community space. For vertical over retirement village developments, the proposed ratio of 25.0 square metres per saleable unit signifies that for every 1 independent living apartment, there is 25.0 square metres of community space (plus private external areas eg. balcony). This is on the higher end of the market and will be well received by the consumers. From evidence gathered, a ratio of <10 square metres is unsustainable and there is a market average of around 13 sq.m. per saleable unit. Of five comparable vertical retirement sites within close proximity to North Beaches, the average ratio increases to 15.81 sq.m., further highlighting the requirement for large portions of community space in retirement villages within close proximity to the Sydney CBD.

Affordability

Owners Corporation affordability will be one of the most important aspects to those residing in a retirement community and the long-term viability of a over 55's development. In order to keep these fees affordable and provide the residents with the level of amenity that is required in modern over 55's independent community a certain number of units are required from a Owners Corporation fee perspective to dilute the costs of community facilities over a viable number of residents. We would expect that an optimal number of independent living apartments would be in the order of 150 plus to achieve a viable economies of scale to reflect the demographic of the desired habitants. This is in keeping with the average number of saleable units in retirement villages which the Retirement Living Council reports in their 2020 Census as over 110 saleable units, on average. The impact of having an amount of over 150 residents is to ensure that Owners Corporation fees for the facility are kept low and suitable for a substantial length of stay. To clarify, this does not represent a profit centre for the village, rather the ability for residents to recover the costs of providing shared services and compares highly favourably with retirement villages which seek to obtain a deferred management fee/ exit fee from the outgoing resident interest.

The ideal number of saleable units to achieve a sustainable profile would be in the range of around 200 saleable units, thus ensuring a quality service provision at an affordable cost to residents. The reduction below this number of units would be likely to cause a reduced service provision or alternatively an increased cost of service delivery. It has been shown that a 10% reduction in saleable unit numbers may lead to an increase in monthly service fees of 15%, where services remain unchanged. The other alternative is to eliminate / reduce services to reduce costs which is not the desired outcome, often quite the reverse as the resident age in place. The affordability issue for seniors is heightened as the majority are dependent on either the pension, part pension or limited superannuation, the latter currently offering only limited low returns, making scale and efficiency crucial to the development.

The proposed Concierge for the facility will play an important role for the residents of the facility with a range of tasks and responsibilities involved. The outlined roles of the Concierge at detailed in the Operation Plan of Management incorporate a number of specific responsibilities:

- Community Connection
- Residential safety and security
- Community Connection
- Supporting local resident to age in place in their community
- Time-saving concierge activities
- Facility Operations
- Aged Care Service Support.
- Assistive technology/devices
- Remote health and wellbeing access
- Passive Surveillance
- Mail/Parcel Delivery
- Building Maintenance
- Coordinate resident volunteers
- Welcoming community to Skyline Place
- Coordination of locally based allied health professionals
- Proactively encouraging resident health and wellbeing
- Reducing social isolation, encourage interaction
- Establishing groups of interest
- Give-back

We would expect that an optimal number of independent living apartments would be in excess of 150 plus to achieve a viable economies of scale to reflect the demographic of the desired habitants. The impact of having over 150 residents is to ensure that individual residents' cost contribution to Concierges wages amongst other costs, are kept low and affordable for the residents to pay. It is important to understand the key distinction between over 55 developments and retirement villages , where villages have the capacity to offset operating shortfalls from their deferred management fee income, whereas in an over 55 development this income is absent and therefore all costs must be recoverable from the owners corporation charges . It is therefore important that there is a viable number of residents in place to ensure that the community services are sustainable at a level expected and consistent with resident expectations.

Intergenerational Communities

There is a growing trend towards intergenerational integration within over 55's communities. That is, creating spaces or mixed-use opportunities to bring all members of the community into vertical villages. The Jardin complex, for example includes an over 50's gym, cafe (open to the public), medical uses which allow for integration of seniors into the community. There also exists the possible desirability of a Childcare centre to encourage intergenerational interaction.

The benefits to seniors of intergenerational interactions has been seen in many European models, for example Humanitas and 'The Apartments for Life Model' where younger members of the community are able to assist elderly or less mobile residents in return for lessons / mentoring.

Apartments

Open space, sunlight, greenery and balcony space is imperative to seniors as opposed to density in developments, as they spend a much greater time in their units, as opposed to standard residential residents. Demand for increased balcony space has been evident in Sydney with a recent retirement developments adopting 44% of their apartments living space as external balcony. Apartments are becoming larger with over 67% of retirement accommodation being 2 bedroom independent living units; this composition shall comprise the majority of the development. 40% of independent living units are occupied by couples and 2 bedroom, 2 bathroom apartments are a minimum requirement in the current demographic, giving residents the desired flexibility and room for partners to sleep in separate bedrooms or the allocation of a guest bedroom for visiting friends and family. In order to accommodate for this growing requirement, the retirement living average apartments are significantly larger than regular residential developments. A good starting point would be a minimum average unit size of 90 – 95 sq. m. up to 125 sq. m. and above. Additional features unique to retirement village and over 55's can be summarised as follows:

- As an elderly persons physical abilities change with age, they will appreciate the simple design changes to allow them to occupy their unit as long as possible and significantly reduce impact of injury (for example fall prevention and turning circles).
- Apartments designed with comfort, ease of access and safety as core design features which focuses on the structural and spatial elements that are critical to ensure future flexibility and adaptability of the home; including:
 - A safe continuous and step free path of travel from the street entrance and parking area to a dwelling entrance that is level.
 - Internal doors and corridors that facilitate comfortable and unimpeded movement between spaces.
 - Reinforced walls around the toilet, shower and bath provide the required support to install safe grab rails at a later date.
 - Retirement kitchens are larger than standard residential apartment kitchens.
 - Bathrooms are significantly larger when compared to residential.
 - Entry foyers are approximately 80% larger.
 - Laundries are approximately 20% larger and typically separate, not configured as a European laundry that are often found in modern apartments.
 - Internal corridors/passageways are generally 20% wider than standard residential provisions.
 - Larger overall living areas to support a greater portion of activities and time spent at home.

Provision of Affordable Housing

To create a more diverse community, and given the need for affordable housing, it is ideal to provide 5% - 10% of units as affordable housing. Not only does this meet a need in the community, it enhances the scale of the village and may provide opportunities for elderly key workers or volunteering opportunities. It also allows seniors who need affordable housing to interact with other seniors and affordable running costs are absorbed into the overall complex. Continuum of care is also important as it enables seniors to age in place but it also enables partners to stay in close proximity. As aging in a couple normally occurs at different stages, it enables the partner of a couple to stay in close proximity. It has also been made abundantly clear through the Royal Commission into Aged Care that people want to stay in their homes or community which affords independent living.

A consumer preferences trend is taking on board the paradigms of hybrid care and home care as the market holds on to independent living. There is a push to have a retirement living that is within a community while also close to major city areas. The original model of retirement estates, outside city borders is being shunned as the consumers urge the market to develop communities close to 'home'. The baby boomer generation having been fortunate with the early investment in the property market; they now are able to choose how and where they live. There is a demand for adequate living and community space in pursuit of better health outcomes and a continuum of a wholistic lifestyle. Developments that have minimum of five community areas are favourable and for larger communities; there is a need for public spaces such as libraries, cafes and child care centres to incorporate the whole family.

Aging well within the community can have a positive effect on quality of life. Some of the key attributes to aging well include: preparedness for life events, the reduction of loneliness, opportunities that meet interests, sense of safety and community as well as adequate living location attributes such as secure parking, community transport and ease of mobility. Those whom are unwilling to enter a traditional retirement facility have the opportunity of entering a retirement community with the benefits of the formal structure, community facilities and concierge service. Offering this newer style of retirement housing will continue to allow current trends in the market to shift and transition to this community style living.

The other key factors is the demonstrated preference for residents to receive additional assistance in their own home as the need arises. This has been recognised by the Commonwealth government with significant additional funding being designated towards Home Care. The potential offering of Home Care into a development like that proposed at Jardin is also highly dependent on a viable number of clients. The greater the more efficient home care to be provided on site, and this may enable residents to pool their home-care packages together to allow shorter and more frequent visits for home-care across a day.

Competing Development

A list of retirement village developments currently in the development process within a 10 kilometre radius of the subject can be found below:

Project	Suburb	Units	Project Completion
Hornsby RSL	Hornsby	374	June 2028
Oxford Falls Road Independent Living Units	Frenches Forrest	41	October 2024
Ivanhoe Estate Stage 1	Macquarie Park	740	July 2024
Glennaeon Retirement Village Extension	Belrose	72	December 2023
Fisher Road Seniors Living	Cromer	25	August 2023
Waitara Avenue Seniors Living	Waitara	117	March 2021
McQuoin Park	Wahroonga	88	October 2020

Completed Developments

A list of large established retirement village developments currently within a 10 kilometre radius of the subject can be found below:

Project	Suburb	Units
War Vets Narrabeen	Narrabeen	600+
Belrose Country Club	Belrose	227

Current Stock

- Average age of retirement villages in Australia is 24 years which provides an opportunity in the market with a modern design that will be highly sought after by the modern day market.
- Only around 15% of retirement living stock is vertical, highlighting a gap in the market that will appeal to a population that is prioritising amenity and location over size. Vertical accommodation is required close to the CBD as villa style accommodation is not feasible in city fringe locations and residents will instead be forced to the urban fringe for Villa style accommodation.

Demographics

- The development provides affordable housing to an ageing population that still enjoy CBD proximity and the amenity that comes with it.
- Australia is ageing rapidly. The most recent NSW Intergenerational Budget Report shows that in 2016-17, there were 3.6 million NSW's aged 65 years or older. This figure is projected to increase to 11.2 million in 2056. Increasing demand will be placed upon retirement living accommodation ensuring its continual long-term viability.

Benefits to the Local Area

- Increases housing diversity for Sydney's baby boomers.
- An opportunity for the aging generation to continue to own their own homes while living within a retirement community.
- Offers Intergenerational living in the precinct alongside existing apartments and townhouses.
- Allows Northern Beaches residents to appropriately age in place, remaining in their community.
- The location is in close proximity to the Northern Beaches Hospital and the Frenchs Forest Activity zone.
- Seeding of local jobs growth, associated with co-located retirement living and aged care facilities (operations/village management, aged care/nursing, cleaners, maintenance, gardeners, hospitality staff, etc.)
- Affordable housing link – roughly 80% of residents typically come from within 5–10 km of a village as they move out of their family home. This is expected to free up approximately 90 homes for younger families to enter the housing market.
- Provides choice for independent living while allowing people to age in place – the desire of seniors to age in place and experience a 'continuum of care', rather than having to move between care settings as their needs increase. By remaining in their local area, seniors stay connected to the community, living longer and happier lives and allows easier access to health care. This corresponds with the current Commonwealth policy of home-care.
- Encourages economic volunteering contributions – an estimated \$39 billion per year is contributed by Australians aged over 65 years in unpaid caring and voluntary work, or \$74.5 billion if those aged 55 to 64 years are included.
- The top issues of concern to seniors are loneliness and social isolation; mobility and access to transport; lack of independence; and insufficient money. Retirement villages are especially designed for older people and can help alleviate these concerns. The Productivity Commission found that "age-friendly housing and neighbourhoods can have a positive effect on the health and quality of life of older Australians". Ensuring these benefits to the local community will enhance longevity of the village through their approach to develop a happier community with appropriate accommodation.

Challenges

- Strong competition from standard residential development, making it difficult to achieve commercial viability due to larger product size and therefore lower yield.
- The need for a large economies of scale to provide affordable housing prices while also keeping Owners Corporation costs low for the inhabitants. This is especially important when offering affordable housing and in a retirement community where liquid assets are low and a number of residents will be relying at least partially, on an Aged Pension.
- An increased density of the site could allow for podium and increased outdoor space that will provide the residents with adequate amount of space to fit their current needs and market trends.

These considerations all allow for additional requirements for assistance in mobility as the needs of residents increase over time. The emergency of over 55's developments provides a meaningful accommodation offering for the older members of our community.

We trust that the above satisfies your immediate requirements however; should you have any queries in respect of our letter, please do not hesitate to contact the undersigned. Liability limited by a scheme approved under Professional Standards Legislation.

Yours sincerely,

Knight Frank Health & Aged Care Victoria

A handwritten signature in blue ink, appearing to read "Samuel Murphy".

SAMUEL MURPHY AAPI F FIN CPV CPV (Bus)

Partner

API Member No. – 62304

KFH12862-01 - Over 55's Development

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