



ANZ RETIREMENT VILLAGES SURVEY REPORT

AUGUST 2024

THE NEW ZEALAND RETIREMENT VILLAGE SECTOR

A note about this survey

The first ANZ New Zealand Retirement Village survey was published in 2011, designed to help anyone involved in the retirement village sector, including village workers, village management teams, boards, and investors. For consistency, we have always aimed to keep the core elements of the survey intact and track the results over time.

But a lot can change in just a few years. Therefore, to reflect the dynamic nature of the sector, we've incrementally added new questions to ensure we capture any developments in thinking, trends, and external influences that may be driving change. The results provide a valuable blueprint for success to any new entrant, as well as existing operators looking to grow.

As always, while the overall findings are shared, individual responses are kept confidential.

We hope you find the report insightful and that it helps guide some of your strategic thinking.

If you have any questions about this report and our findings, please do not hesitate to contact Reuban Dalzell – Reuban.Dalzell@anz.com.

CONTENTS

Introduction	1
1. Taking the pulse of the industry	2
2. Key issues and findings	4
3. Priorities for the next 12 months	6
4. A look at the next 5-10 years	8
5. Environmental, Social & Governance (ESG) factors	9
6. Insights into planned action in 2024-25	10
Conclusion	12

For details of ANZ Bank New Zealand Limited's disclaimer statement, please refer to the final page of this report.

INTRODUCTION

The ANZ Retirement Village Survey has a long history of capturing the mood and current thinking in the sector. Some of these annual surveys have also shone a light on upcoming trends – and we think this year is no exception.

Our 2024 survey was completed in early June, against an economic background best described as challenging. It is arguably worse than last year, with the housing market still slowing, interest rates still high, and inflation stubbornly strong.¹ In the face of these weaker conditions, it would be reasonable to assume sentiment would be weaker, too. On the contrary: I find myself struck by the overall positivity of the sector and the resilience of those who operate within it.

Two factors help explain this contradiction. First, we know that sector operators understand their customer and product propositions better. When markets are challenging, businesses tend to refine and adapt how they meet customer expectations and compete in the marketplace. We are now seeing how retirement village operators are adapting to the current conditions and getting ready for when the economy turns.

Second, but just as important: we know the New Zealand demographic profile means people age – irrespective of how the economy performs. This is a unique feature of the sector and is responsible at least in part for its resilience.

One additional note about this year's survey. It provides a strong sense of the sector's mood, issues, priorities, and approach surrounding sustainability – a topic that is becoming increasingly important.

Reflecting on the survey results, I am struck by how they provide a blueprint for new entrants in the sector as well as for those looking to navigate through the current headwinds. For this reason alone, the 2024 survey is – in my opinion – a must-read.

Richard Hinchliffe

Director of Sector Strategies – Institutional
ANZ Bank New Zealand

¹ At time of writing, the Official Cash Rate (OCR) was at 5.5%. Inflation was at around 4% in March 2024, down from 6% in June 2023.

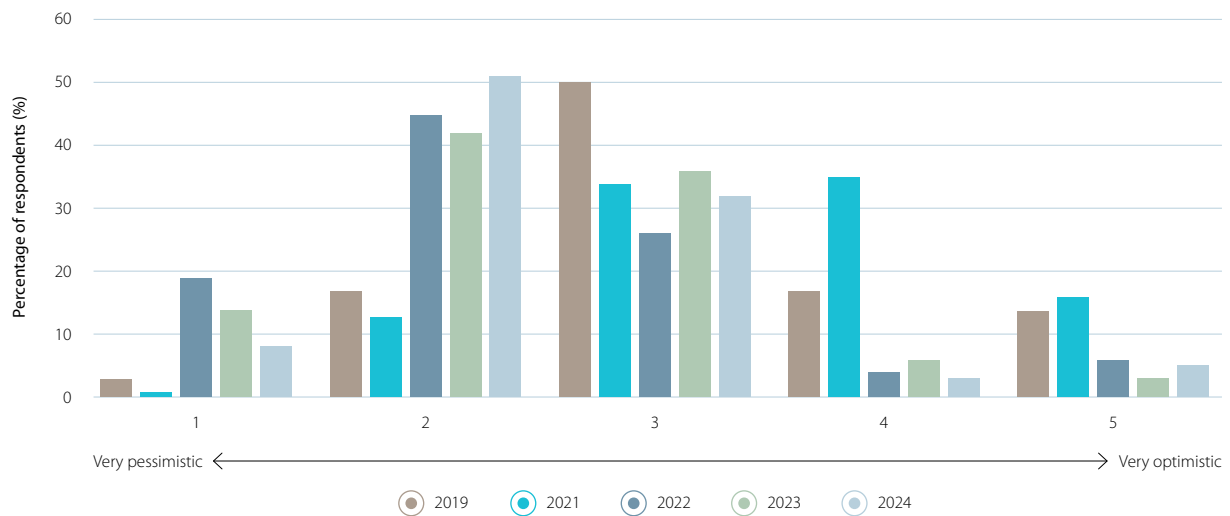


1. TAKING THE PULSE OF THE INDUSTRY

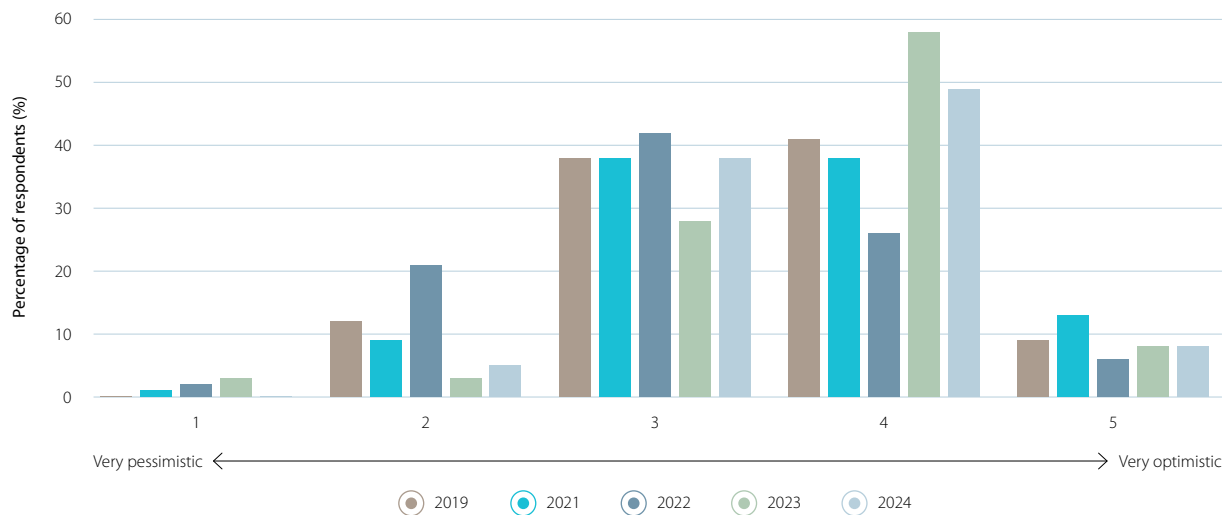
EXPECTATIONS FOR THE ECONOMY:

We asked the sector about their performance expectations for the New Zealand economy over the coming 12 months and the next three years. Understandably, the general negative tone from the last two years has continued – the sector is clearly concerned about how the economy will perform in the short term – but the horizon looks brighter, with expectations for a recovery in the longer term.

NZ ECONOMY OVER THE NEXT 12 MONTHS



NZ ECONOMY OVER THE NEXT 3 YEARS

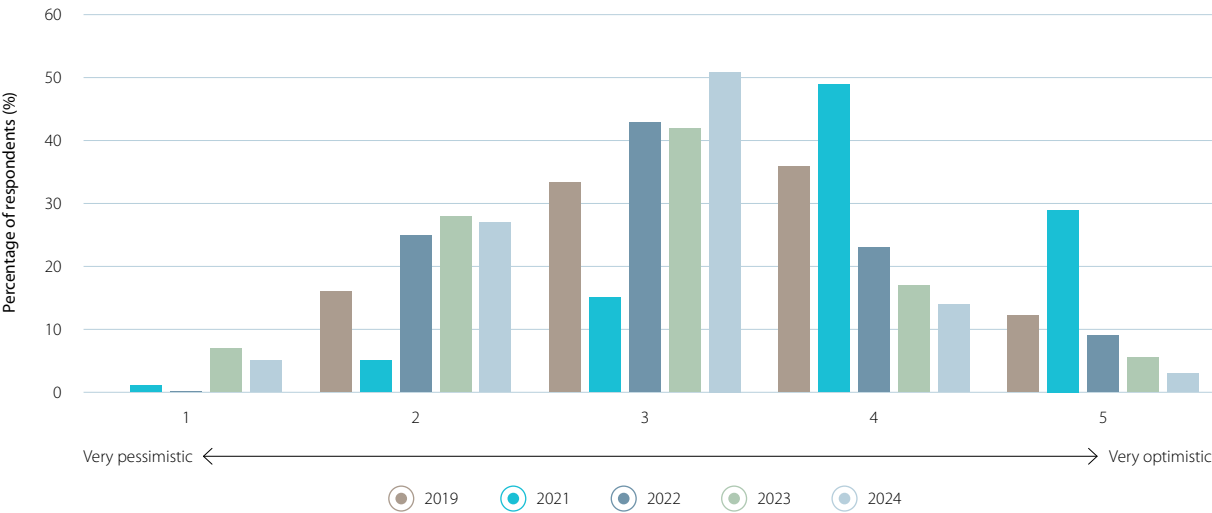


EXPECTATIONS FOR THE SECTOR:

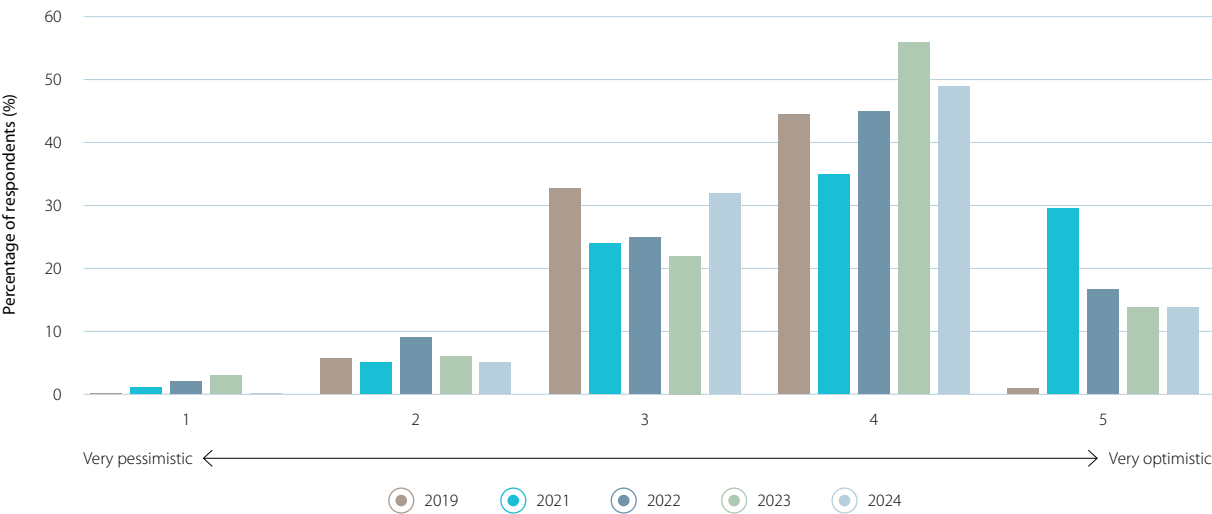
We then asked operators how they feel about the sector itself over the next 12 months and three years respectively. Looking at the data across 2019-23, and comparing it with 2024, the data suggests operators are growing in confidence despite poor expectations for the wider New Zealand economy.

It is not unusual for the sector to expect it will outperform the economy. A simple explanation is that there is a growing number of people in the 75+ demographic; it also speaks to operators' confidence in their customer proposition. What's more surprising is that operators are showing confidence even with the possibility of legislative change looming in the background.

RETIREMENT VILLAGE SECTOR OVER THE NEXT 12 MONTHS



RETIREMENT VILLAGE SECTOR OVER THE NEXT 3 YEARS



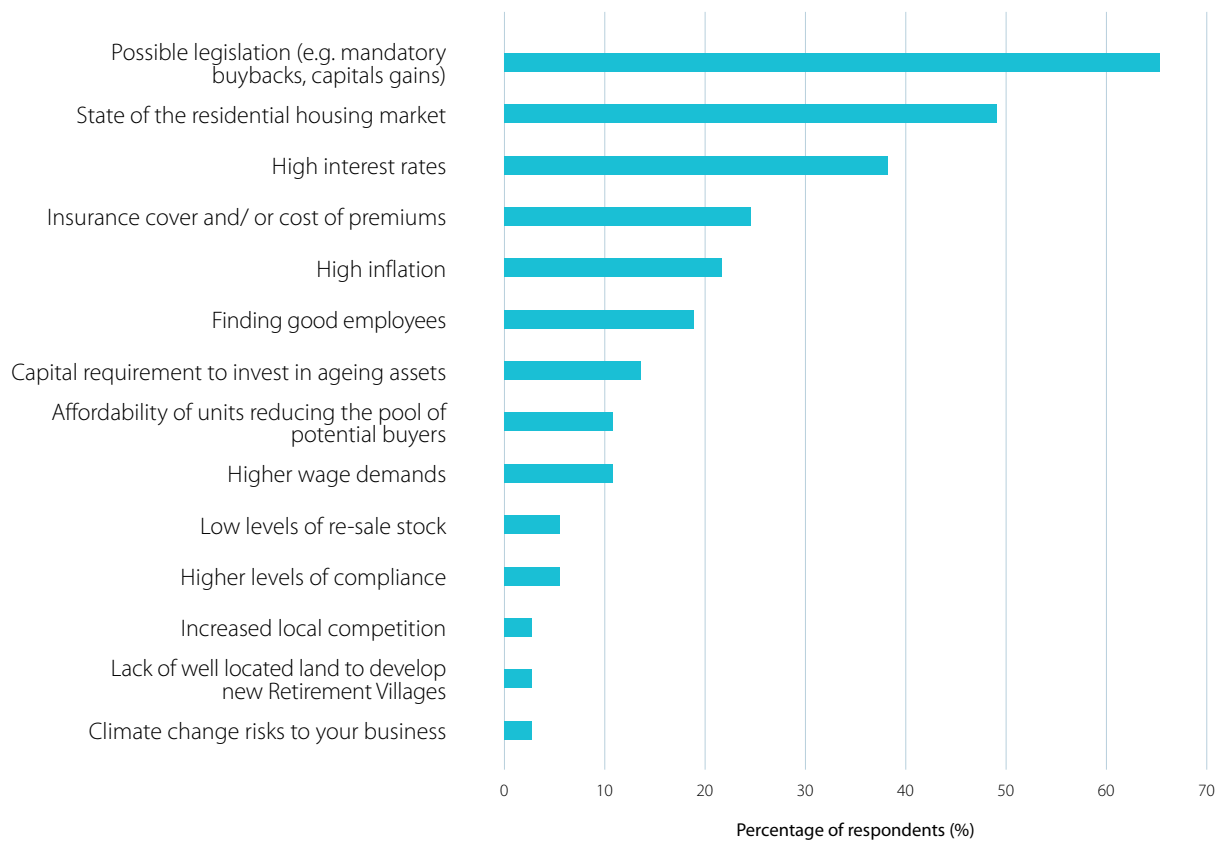
2. KEY ISSUES AND FINDINGS

In 2023, the top two issues facing the sector were possible legislation changes and the state of the residential housing market (in fact, they featured at an all-time high). We see the same top two issues in 2024 – but operators have ranked them even higher this year. Clearly, these two issues are having a significant impact.

High interest rates are the 3rd highest ranked concern, followed by the cost of insurance. For comparison, high interest rates were ranked 6th in 2023. We must assume that interest rates are now impacting businesses.

The 4th issue, relating to rising insurance premiums, is new. Rising premiums are the result of an insurance market that is increasingly concerned about climate risk. At the same time, operators have more assets and replacement costs have increased.

TOP THREE ISSUES OR CONCERNS OVER THE NEXT 12 MONTHS



We always like to look at the bottom three concerns, because these can help show what is **not** happening in the sector. This year, the areas of least concern are:

- Climate change risks to the business
- Lack of well-located land to develop
- Increased local competition.

These results highlight several important aspects of the sector: there continues to be no shortage of suitable land in New Zealand; and in general, there are still areas for operators to grow without creating excess supply.

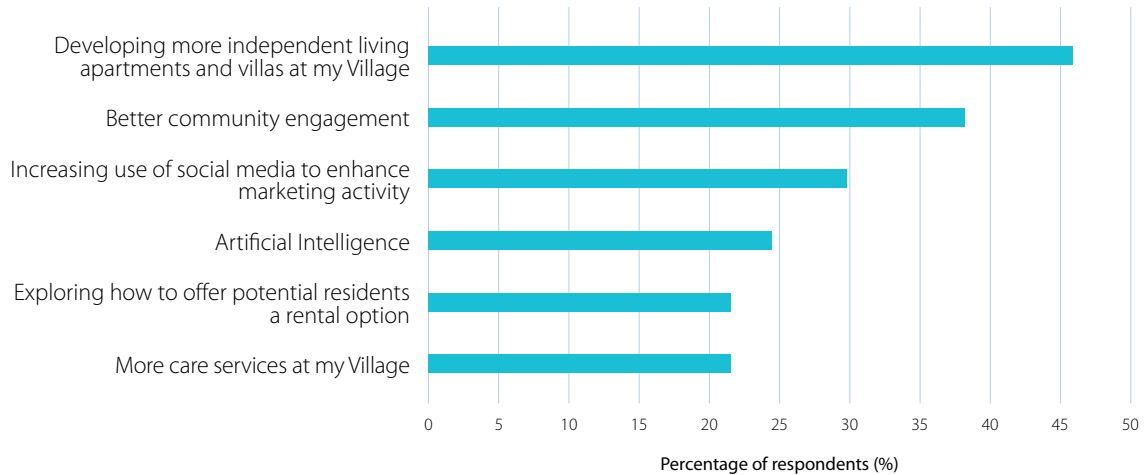
ONE TO WATCH:

The survey indicates that climate change risks are not seen as a top issue. In light of recent climate events this is somewhat surprising, unless operators have futureproofed their buildings for climate change. It's worth noting that climate change risk is also a key reason for rising insurance premiums, which is the 4th highest rated issue.



3. PRIORITIES FOR THE NEXT 12 MONTHS

WHAT ARE CONSIDERED THE TOP THREE PRIORITIES OVER THE NEXT 12 MONTHS?



Looking at priorities for the next 12 months goes to the heart of how operators are approaching growth, trying to leverage opportunities, and develop their business proposition. The results provide both new entrants and existing operators with a possible blueprint for how they need to be thinking about their business from a growth, proposition, and technology perspective. Some initiatives could have dual benefits – for example, using AI for social media and reducing costs.

KEY FINDINGS:

- **Organic growth:** Developing more units within villages is important and preferred over acquisition. Operators will be laser-focused on making sure these units are sold well via better community engagement and leveraging the power of social media.
- **Proposition:** The sector is dynamic, and its proposition continues to be refined. Operators are looking to improve their offering by listening to what the community is seeking, developing more independent living facilities, and making sure that care features strongly.
- **Lowest priorities:** Measuring carbon emissions, establishing and implementing an ESG policy, and creating a social housing option are all low priorities for the sector this year when weighed against navigating a stagnant economy, possible legislation changes, and a challenging housing market.

ONES TO WATCH:

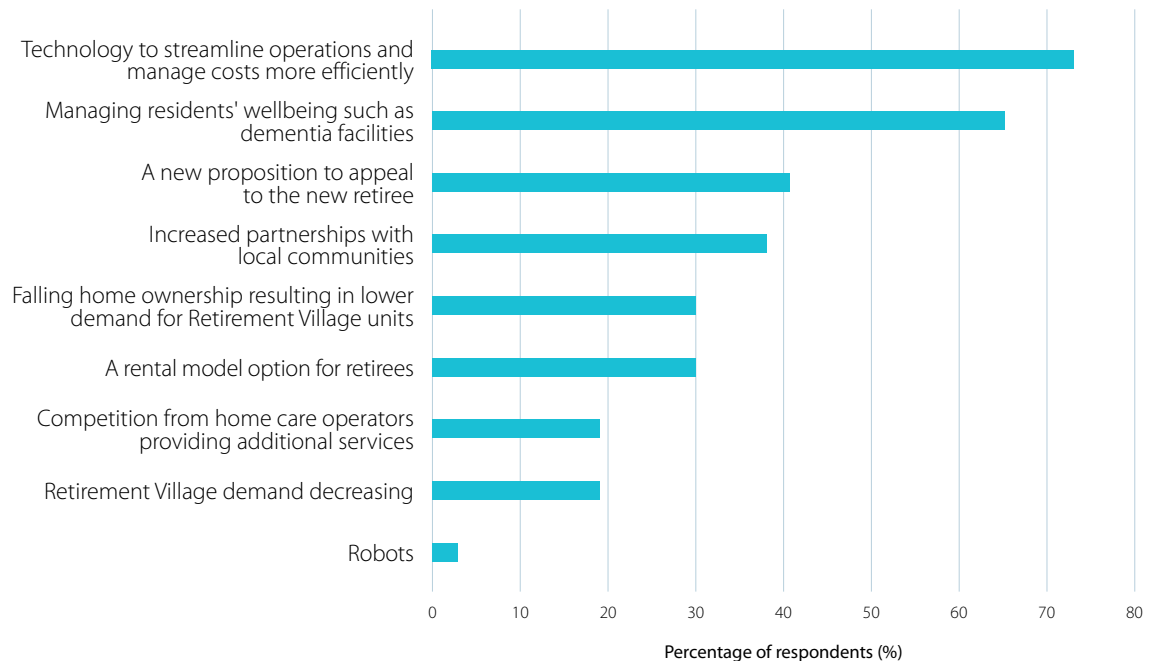
- **Technology:** In recent years, we have included questions about artificial intelligence in the survey as AI rapidly becomes embedded into society. For the first time, we had a significant result for this issue: at 24% it is the 4th largest priority for the sector. This will be exciting to watch how operators embed AI into their business.
- **Rental option:** We were surprised to see that some operators are exploring a rental proposition (see page 8) – this will be interesting to watch over the next few years.



4. A LOOK AT THE NEXT 5-10 YEARS

Each year, we ask operators to look into their crystal ball at the longer term and consider what they expect to feature in their business. These insights provide important clues as to where the sector might be heading.

WHAT ARE CONSIDERED THE TOP THREE PRIORITIES OVER THE NEXT FIVE TO 10 YEARS?



It's clear from these survey results (and from earlier results) that village operators do not anticipate robots in their villages; the idea remains in the realm of science fiction for now. However, operators are saying louder than ever that they will use technology to streamline operations and enhance financial performance.

Another observation we can see from the data is that managing resident wellbeing will feature heavily in the villages of the future. This makes sense. We anticipate that future residents will become more demanding of villages and expect their village's proposition to have a strong focus on wellbeing and customer experience.

ONE TO WATCH:

The results also highlight whether villages expect to provide a rental option. This has long been discussed – in 2019, 34% of survey respondents thought rental would feature in five to 10 years. Today, 30% suggest this could feature in the future. While there are good examples overseas of villages providing rental options, there is clearly still little evidence to suggest the New Zealand sector will embrace rental as an option for residents.

5. ENVIRONMENTAL, SOCIAL, & GOVERNANCE (ESG) FACTORS

In 2021, we began asking questions about ESG and sustainability. Since then, we have continued to explore this important subject to track changes and identify risks and opportunities for operators. Interestingly, there has been no material change to the survey results over time.

- Only 14% of respondents are measuring their emissions – but this is up from last year's 6%.
- Only 8% have a target date by which they will be carbon net zero.
- 30% plan to build to Green Star standard (5 or 6 stars) within two years.
- Just over a quarter of businesses have been impacted by a weather event.
- 76% of businesses in the last two years have assessed the risks from climate change.

It is good to see the sector assessing climate change risk. Some are going further by measuring emissions, which is the first step before reduction can take place. There are even some who are building more climate-resilient buildings from the outset. We expect the focus on sustainability and emissions reduction to continue, and that more businesses will start to measure emissions and create action plans.



6. INSIGHTS INTO PLANNED ACTION IN 2024-25

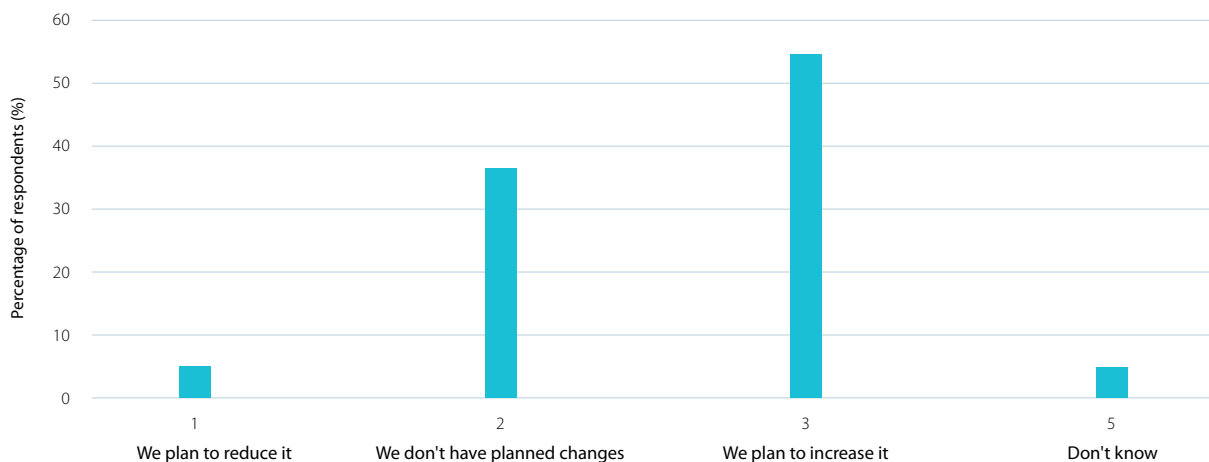
A picture of what the sector is planning in the near term is starting to emerge, and we can see from the data what the priority areas are. Knowing these areas of high priority, operators will be better placed to build strategies to tackle the issue.

Building on this, we sought responses to other growth factors which you can find below.

This year's survey results show that operators have confidence in their sector and proposition in the long term. An example of that increased confidence is reflected in the answers to our question about build programmes. It is clear that many operators see building more as a priority, and they will do so with price increases. 55% of operators plan to increase their build programme – up from 48% in 2023.

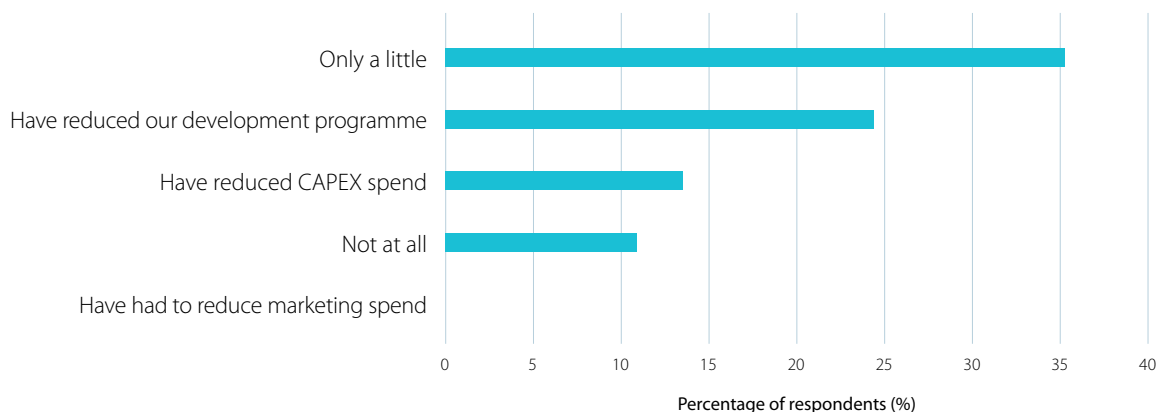


WHICH BEST DESCRIBES YOUR BUILD PROGRAMME OVER THE NEXT 12 MONTHS?



- We know operators are concerned about legislation changes, but this is not impacting any strategic changes around their Deferred Management Fees. 70% plan no changes, compared to 58% last year.
- We see no change in how operators approach capital gains. Operators clearly see value in their proposition and see no reason to make changes.
- This year, we asked a new and specific question around interest rates to understand how higher rates have impacted the sector. These findings are below.

HOW HAVE RISING INTEREST RATES IMPACTED YOUR BUSINESS OVER THE LAST 12 MONTHS?



CONCLUSION

The sector has always shown resilience and the ability to grow – and our 2024 survey findings show there is every reason to expect this will continue. While the current economic background remains difficult, the long-term view is looking positive as operators rise to the challenge.

KEY LEARNINGS FROM THE SURVEY

The sector faces headwinds – but it is robust.

The challenges facing the sector are real. They include a weak economy, possible legislative change, stubborn inflation, and high interest rates. However, the responses contained in this survey indicate resilience and that the sector is robust enough to navigate the current headwinds.

This is partly down to the dissipation of some issues highlighted in previous surveys. For example, it's now easier to find good people and suitable land. Wage demands are not challenging. Stock levels are low, and demand is not being squeezed by high levels of competition. Further, operators believe they can manage the key factors that determine whether they can grow – such as working closely with their community and harnessing the benefits of social media, as well as what they build in this market.

Technology is becoming increasingly important.

From embedding artificial intelligence into everyday operations, to utilising social media and digital tools to connect, engage, and improve financial resilience: while we may not yet be walking with robots, technology is starting to take centre stage.

The strategy for success is clear.

The responses contained in this survey offer a blueprint for an operator to navigate through the current economic waters, position their business for growth, and to take strategic action.

Finally, a sincere thank you to all who participated this year – we are grateful for the time people spent completing the survey, and we hope you find value in this report.

ANZ CONTACTS

For more information on how ANZ can help you build your next Retirement Village, please contact our retirement village specialist:

REUBAN DALZELL

Senior Manager – Corporate
ANZ Bank New Zealand
M. +64272912315
E. Reuban.Dalzell@anz.com



The material in this report is for information purposes only. Please talk to us if you need financial advice about a product or service. See our financial advice provider disclosure at anz.co.nz/fapdisclosure

The material is only current as of the date of this report and is subject to change. While the information contained in this report is from sources perceived by ANZ to be reliable and accurate, ANZ cannot warrant its accuracy, completeness or suitability for your intended use. To the extent permitted by law, ANZ does not accept any responsibility or liability arising from your use of this information. ANZ shall not be obliged to update any such information after the date of this report.

The information in this report is historical in nature. It should not be used for any purpose other than providing factual historical data and is not to be construed as an indication or prediction of future results.

This report is published in New Zealand by ANZ Bank New Zealand Limited.

© Copyright ANZ Bank New Zealand Limited. "ANZ", ANZ's logo and ANZ's colour blue are trademarks of ANZ.