

RETIREMENT LIVING - HOW & WHERE WILL PEOPLE LIVE?

In response to Australia's current and anticipated ageing demographic structure, retirement living has emerged as a key development opportunity.

Australia's population is ageing, and with it comes significant changes to how and where these people live. Currently there are just under 3.4 million Australians aged 65 and over. This number is projected to increase to approximately 7.9 million by 2050, at which time 1 in 5 Australians will be aged 65 years and older.

Traditionally, retirement village developments were lower in density, featuring individual villas arranged around a community centre on large sites. However, changing household preferences (more lifestyle focused), a scarcity of sites in established residential areas and residents becoming more accustomed to higher-density living, have all started to alter the design of retirement village formats.

The growing demand for healthcare in both industry subsectors (aged care and retirement living), has influenced the design of such facilities with operators looking to incorporate both subsectors in conjunction with mobile health care to form one integrated service. Essentially, this enables economies of scale, allowing each subsector to leverage off one another while reflecting contemporary consumer demand and accommodation priorities.

Despite the recent government funding shift encouraging aged residents to remain in their family home, demand for Independent Living Units (ILUs) is expected to strengthen. According to 2011 Census data, there were 87,206 ILUs within the greater capital cities around Australia, with Sydney and Melbourne accounting for 26% and 23% of all ILUs respectively. Using ABS population projections and the derived penetration rates, we estimate there will be market demand for an additional 31,035 ILUs across the combined capital cities by 2020 (assuming target market is persons aged 65+). However, as more and more residents age, it is likely that penetration rates will increase which will result in a greater number of units required to satisfy demand.

The sector has experienced significant changes over the past decade with operators having to evolve to reflect consumer needs. Central to this has been the format and design of such villages.

Without the development of additional ILUs, a number of capital cities will be subject to extensive shortages in coming years. This will not only affect aged residents but the broader housing market by limiting dwelling turnover as older residents remain in the family home for longer given the lack of appropriate downsizing options.

While low density villages will still be in demand, the construction of higher density multi-level campus style or vertical villages are expected to become more prevalent as the price of land increases. This is particularly true for Sydney and Melbourne where property values have surged in recent years.

The industry is set to experience considerable growth off the back of Australia's ageing population, and in turn, significant opportunities exist to both current and future operators. Furthermore, we expect the design of new centres to have a greater emphasis on providing a full range of care services including mobile health care provisions which enables residents to 'age in place'. The most cost effective way to achieve this may be through development of higher density villages in major urban localities, close to key infrastructure and services.

TABLE 1

Retirement Living Demand, by Greater Capital City

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	ACT	Total
2011									
Persons living in an ILU (65+)	25,106	22,538	18,838	12,513	17,706	962	262	1,891	99,816
Number of ILUs	22,574	20,220	15,969	10,669	14,989	872	203	1,710	87,206
Population (65+)	586,346	540,449	248,945	193,668	227,009	32,741	8,142	38,886	1,876,18
Penetration rate	4.3%	4.2%	7.6%	6.5%	7.8%	2.9%	3.2%	4.9%	5.3%
2020 Projections*									
Population (65+)	773,412	722,245	354,287	249,091	330,189	43,644	14,086	56,938	2,543,89
Persons living in an ILU (65+)	33,116	30,119	26,809	16,094	25,754	1,282	453	2,769	135,339
Number of ILUs	29,776	27,022	22,726	13,722	21,802	1,162	351	2,504	118,241
Additional ILUs needed by 2020	7,202	6,802	6,757	3,053	6,813	290	148	794	31,035

Source: Knight Frank, ABS

* assumes penetration rates remain the same as 2011



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For more information or for all your retirement living needs, including market analysis, socio-demographic profiling, supply and demand forecasts, please contact Paul Savitz or Luke Crawford to discuss your research requirements.

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