Retirement Villages: International Scan of Operating Models

Te Ara Ahunga Ora Retirement Commission: Annual Report 2024

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Authors: Diana Russell, Connor McIndoe, and Hillmarè Schulze

Making sense of the numbers

This research investigates the different operating models used by operators of retirement villages internationally. Markets investigated in this review include Australia, the United Kingdom (UK), the United States of America (USA), Canada, Germany, and India. The literature review was integrated with input and insights from industry experts in different international markets. Across the countries studied, there are effectively three main types of housing facilities for seniors: retirement villages[1], assisted living[2], and nursing homes[3].

International legislation and regulation

New Zealand's legislative environment for retirement villages is regarded relatively highly in the international landscape due to it being a more developed and well-established industry compared to many other countries. New Zealand is part of a small number of countries, including Australia and Canada, that have sector-specific legislation for retirement villages.

New Zealand has a more straightforward national-level regulatory structure in comparison to Australia, the USA, and Canada, which have varying legislation by state and province. This straightforward structure helps to avoid the challenges of fragmentation and inconsistency faced by other markets. Each state in Australia has sector-specific legislation that is similar to New Zealand's Retirement Villages Act 2003. However, the variation in regulation between states limits prospective residents' ability to make reasonable comparisons between providers. Additionally, it limits providers' ability to expand their operations. In India and the UK, this challenge is even more pronounced because, alongside the responsibility to regulate sitting with the state, province, or region, there is no sector-specific regulation.

In both the absence and presence of sector-specific legislation, industry bodies with codes of conduct have added an additional layer of protection for consumers while promoting best practices from providers. New Zealand, Australia, and the UK all positively benefit from the representation of industry bodies.

Operating models

The types of retirement villages, senior accommodation, and services offered vary widely from country to country, as does the terminology used to describe them. Across the international landscape of retirement villages, there are three predominant operating models adopted by providers. These include some form of an outright purchase model (most common in Australia and India), the licence to occupy model (common in New Zealand, Australia, and the UK), and a rental model (common in Canada, the USA, and Germany).

[1] Also known as retirement homes or retirement communities.

[2] Also known as old people's homes.

[3] Also known as rest home, care home, or aged residential care.

Financial aspects

Most purchase-related operating models (including outright purchase and licence to occupy) require residents to meet costs in essentially three stages: upon purchase, regularly over the course of their tenure, and finally at the end of their tenure.

On-going management fees are required in each of the international markets investigated in this review, and they broadly cover the same expenses. In most markets, these fees are calculated on a cost-recovery basis and must be disclosed initially in the lease agreement. Retirement villages in Australia link their prices to the consumer price index (CPI); in the UK, they are mostly linked to the retail price index (RTI); and in New Zealand, they are sometimes capped or linked to the Superannuation (which is linked to the CPI).

In New Zealand, Australia, and the UK, vacating residents are often required to continue meeting the ongoing weekly or monthly fees until their unit is resold. This has sparked concerns about providers delaying or being slow in the listing and sale of units. In comparison to New Zealand, where ongoing fees can continue to be charged indefinitely until the unit is resold, some states in Australia have implemented regulations to limit the length of time and the amount that residents are required to pay following the end of their tenure. For example, in Queensland, until the unit is sold, departing residents pay the service charges in full for up to 90 days, and following this, the resident and operator share the cost as they would the proceeds of the unit resale for a further six months.

Upon vacating a retirement village, residents are required to pay an exit fee. This exit fee is sometimes subtracted from the final sale price, otherwise known as a deferred management fee (DMF). In New Zealand, the DMF is not a percentage of the final sales price; instead, it is a percent of the initial purchase price for the licence to occupy. The exit fee broadly helps to cover the management and refurbishment of the retirement village, while at the same time helping to reduce the initial upfront purchase price of retirement village units. Providers with a DMF structure have a more sustainable long-term business model than those that do not. In Australia and the UK, these fees are often calculated as a percentage of the entry contribution or the resale price of the unit and consider the length of tenure. In both markets, a lack of transparency associated with exit fees has led to concerns from residents, particularly in the UK, with the absence of sector-specific legislation.

High-level summary of analysis

The licence-to-occupy model has many drawbacks regarding affordability and lack of flexibility for the residents of retirement villages. Our research uncovered instances where questions of fairness and lack of transparency had been raised. States in Australia have made ground to improve the fairness of retirement village business models by regulating the length of time departing residents must pay ongoing service fees as well as requiring exit entitlements to be paid after a set period of time. The rental model common in Canada also has many benefits that rectify the drawbacks of the licence-to-occupy model. However, the key consideration when comparing rental models from overseas markets is that many countries outside of New Zealand have very different attitudes, norms, standards, lengths of tenure, and protections for renting that are not commonplace in New Zealand.

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- Associated Retirement Community Operators (ARCO), United Kingdom
- Ontario Retirement Communities Association (ORCA), Canada
- The Global Ageing Network, Washington, DC, United States

Contents

Tables

Figures

1 Introduction

Retirement villages in New Zealand are largely defined as communities specifically built to cater to the needs and lifestyles of older people, with the age of entry usually between 65 and 75 years. Retirement villages enable residents to live independently while enjoying a sense of community and having access to a range of services.

Business and Economic Research Limited (BERL) was commissioned by Te Ara Ahunga Ora – Retirement Commission to undertake a literature review that investigated the different operating models used by providers of retirement villages internationally. This report incorporates a review of the operating models in six countries, including the regulatory and legislative context. As part of this review, we spoke with industry experts in Australia, the United States of America (USA), the United Kingdom (UK), and Canada. Also included in this report is a review of the retirement village operating models in Germany and India.

1.1 International and historical context of retirement living

The first retirement village in New Zealand, Selwyn Village in Point Chevalier, Auckland, was established in 1954. The retirement village, as a cultural concept and business model, has long been established in New Zealand. New Zealand has the highest number of retirement villages per capita in the world, followed closely by Australia. The first retirement village in Australia, known today as Wheller's Gardens retirement village and run by the Uniting Church, was established in Brisbane in the 1930s.

The USA has the largest number of retirement villages in the world, with around 18,810 communities, followed by the UK with 3,366; Australia with 2,200; Canada with 2,076; and New Zealand with 488. According to villages.com.au, part of the DCM Village & Care Media Group, roughly one in 12, or 8.3 percent of people aged 75+ live in retirement villages in New Zealand, Australia, and the USA.

Retirement villages in New Zealand are comparatively much more popular and ingrained in our culture than in many other countries worldwide. Approximately five percent of people aged over 65 and 14 percent of people aged over 75 live in a retirement village in New Zealand. This is in line with Australia and the UK, where around five percent of people aged over 65 also live in retirement villages.

The first retirement village built in the USA is believed to be Ryderwood, which was established in the early 1920s. Whiteley Village, in Surrey, England, was established in 1917 and is believed to be the first retirement village in the UK. In comparison, the first retirement community in Canada was built in the late 1980s.[4] Outside of a few key examples (the USA, UK, Canada, and Australia), retirement villages are either rare or a new concept slowly starting to take off.

In countries such as China, India, and Singapore, the concept of retirement communities is new and has the potential to gain traction. For example, Singapore's first retirement village, The Hillford,

[4] History of Arbutus Ridge and Hatch Point: https://www.arbutusridge.ca/more/history/

opened as recently as 2014. China's first retirement village, the Taikang Community Yan Garden in Beijing, opened around 2015, and one of India's first retirement communities, developed by Ashiana Housing, was established in 2005. The concept of retirement villages in countries such as China and India does not necessarily fit within the traditional expectations that children will care for their elderly parents.[5] In these countries, the emergence of retirement communities is largely a result of the ageing population; 18 percent of the population in China is over 60.

Neither retirement villages, nursing homes, nor communal senior living facilities are common in the Nordic countries. Instead, policies are geared towards enabling seniors to live independently and receive any necessary care at their private residences for as long as possible. However, the Nordic countries of Denmark, Norway, Sweden, Finland, and Iceland have universal healthcare systems that provide beds in care homes for seniors who need round-the-clock care. The Nordic population aged 65 and older currently sits at around 5.5 million. Between them, they have around 236,000 care home beds, over three-quarters of which are municipality-operated and just under one-quarter of which are privately operated.

1.2 Context

Across the countries studied, there are effectively three main types of housing facilities for seniors: retirement villages[6], assisted living[7], and nursing homes[8]. The key distinction between the facilities is the level of care available to residents. Retirement villages are predominantly geared towards independent living. Assisted living provides help around the home and aids with medical conditions and day-to-day tasks. In assisted living, residents retain the independence of living in their own homes. Nursing homes, on the other hand, provide 24-hour, in-patient hospital care. In many facilities, across the countries researched, you will find a combination of the three care levels integrated in the provider's model.

This report focuses on the real estate operating models of retirement villages and does not include the operating models for the medical care side of nursing homes or aged residential care. This report is interested in what the villages offer to residents and therefore considers if there is an aged residential care facility on site and, if so, how the retirement village manages the transition from independent living to round-the-clock residential care.

Although clearly defined in New Zealand, terms used internationally to describe senior housing facilities similar to 'retirement villages' vary considerably. Some of this terminology includes retirement homes, senior living communities, retirement communities, housing-with-care, supported independent accommodation, continuing care retirement communities, assisted living, old people's homes, and retirement housing. The range of terminology, varying definitions, and

[5] Article ($): In China, developers experiment with retirement homes as families rethink cultural expectations about caregiving: https://www.scmp.com/business/article/2175185/china-developers-experiment-retirement-homes-families-rethink-cultural

[6] Also known as retirement homes or retirement communities.

[7] Also known as old people's homes.

[8] Also known as rest home, care home, or aged residential care.

different and overlapping models of service delivery make comparisons across international markets complex. Across the countries studied, there are effectively three main types of housing facilities for seniors: retirement villages[9], assisted living[10], and nursing homes[11]. Therefore, these are the three terms used throughout the report when referring to similar facilities across countries. We must emphasise that these senior housing facilities are not always directly comparable to retirement villages in New Zealand.

1.3 Data limitations

Early in this research, it became apparent that the availability and quality of resources and data on retirement villages in each international market varied considerably. This limited our ability to investigate retirement village business models at a consistent level in each international market. Several factors contributed to this, including the wide array of terms used to describe retirement villages, different national languages, different stages of development in the sector, different cultural norms, and integrated offerings between aged care and retirement villages.[12]

[9] Also known as retirement homes or retirement communities.

[10] Also known as old people's homes.

[11] Also known as rest home, care home, or aged residential care.

[12] In this context, we have been explicit in the report when there is a lack of evidence or data available for particular areas in an international market.

Table 1 Business model summary table

	Operating model/legal title	Financial aspects for the resident	Financial aspects for the operator	Flexibility for residents	Providing different levels of support
New Zealand	95 percent license-to-occupy (LTO). Also available are unit titles.	The initial financial outlay is high compared to renting but lower than that of a freehold unit. Operators are not required to share capital gains from relicensing a unit. Ongoing fees can continue to be charged by providers after a resident has left until the unit has been re-sold.	Provides comfortable long-term sustainability. Profitable. It is relatively easy to borrow from the bank for this model.	LTO models are difficult to leave and therefore inflexible for residents needing to move.	Usually, independent villas and apartments don't meet the Ministry of Health requirements for a room in a nursing home. As care needs increase, residents would need to move into a serviced apartment or nursing home, which is often co-located but may incur transfer costs and a second DMF.
Australia	Licence to occupy (27 percent), leasehold (57 percent), strata or freehold (11 percent), rental options (two percent), and other (three percent).	The broad fee structure for LTOs and leaseholds includes an initial upfront payment, on-going (weekly or monthly) service and maintenance fees, and a final fee (e.g., a DMF). Departing residents will often not receive their exit entitlements (e.g., resale price minus DMF) until their unit is sold. Ongoing fees can continue to be charged during this time. However, in some states, regulation limits the amount and time ongoing fees can be charged, as well as a maximum time before a provider is obligated to pay residents their exit entitlements.	Profitable. It is relatively easy to borrow from the bank for this model.	Inflexible, relocating is cost prohibitive. In Australia, the average selling time for ILUs was 253 days in 2022. Given the average length of selling time, the requirements to meet ongoing costs, and not being entitled to exit fees immediately, the ability to move can be difficult.	On average, 26 percent of existing retirement villages in Australia have an aged care facility co-located on site. Furthermore, 53 percent of new villages have a residential aged care facility on-site or co-located.

United Kingdom	The most common model is leasehold. Shared ownership and rental options are also available.	A traditional leasehold model requires residents to pay an upfront purchase price and will either include regular service charges and an exit fee (otherwise known as a DMF) or just regular service charges.	It is difficult to borrow for long-term DMF structures. For operators that do provide DMF structures, the financing options are expensive. Providers usually pass on increased prices to residents.	Leasehold units are relatively inflexible and typically include long-term leases (e.g., 999 years). Selling the unit is often the responsibility of the resident, potentially disincentivising them to move. Rental models help facilitate flexibility.	Retirement housing and retirement villages do not usually offer round-the-clock nursing care. If that level of care is required, residents will need to relocate to a nursing home.
United States of America	Close to 90 percent rental based.	Monthly fees cover rent and other residential costs (e.g., light housekeeping, meals, facilities, and activities). In some cases, residents pay a refundable security deposit or an entrance fee.	There is strong demand, growing liquidity, and financial flexibility. The benefits of high occupancy, growing demand, and a favourable economic environment support a stable, not-for-profit-rated senior living sector (S&P Global, 2023).	Rental models facilitate flexibility in the retirement village sector and allow residents greater mobility to move along the spectrum of care services provided.	Continuing Care Retirement Communities (CCRC) are designed to provide a 'continuum' of care from ILUs to long-term care services. Currently, there are approximately 2,000 CCRCs.
India	Ownership model, or a reverse mortgage model (60 percent). Lease/rental model (30 percent).	Residents pay costs in three broad stages: the initial purchase price, ongoing maintenance charges, and an exit fee.	The market is in the early stages of development; therefore, data is limited. "The market is estimated to reach US$12 billion, and developers are unable to cater to low- and mid-	There is no evidence to credibly explain the flexibility provided in ownership models in India.	Some villages include 24/7 primary healthcare units with an in-house trained nurse. The health centre is often voluntarily managed by the doctors who reside in the village (e.g., Suvidha).

			income senior living projects" (Colliers, 2024).		
Canada	Close to 100 percent rental based.	Residents at retirement villages pay rental fees (controlled) and care fees (uncontrolled). Typically, entry or exit fees.	Profitable. In 2020, 33 percent of retirement housing was owned by financialised companies, including 42 percent of retirement units and 22 percent of long-term care beds (Brown, 2022).	Rental models in Canada facilitate flexibility for a number of reasons, including the absence of a significant capital investment requirement and no long-term agreement.	Canadian retirement living does not typically have 24-hour nursing care on-site. The Retirement Homes Regulatory Authority lists 13 care services that may be provided in a retirement village; however, most do not offer all 13.
Germany	Close to 100 percent rental based.	Residents pay a monthly fee that includes rent, meals, care costs, repairs and maintenance, and a training levy for the provider's staff.	Senior living attracts investors in real estate and health care. "Investors and operators aware of the fragmented regional and local structures if a [retirement village or home] is to operate successfully and generate sustainable profits" (JLL, 2018).	Flexibility if circumstances or requirements change. Often easy to transition to higher care levels with the strong presence of integrated providers.	Many offer a range of levels of care, depending on need. One retirement village can offer full-time care, assisted living, short-term care, assisted living in a nursing home network, or preventative care.

2 The regulatory environment

1.4 New Zealand

The legislation that governs the operation of retirement villages in New Zealand includes the Retirement Villages Act 2003 and the Retirement Villages Code of Practice 2008. Currently, New Zealand has begun to review the retirement villages' legislative framework.

Te Ara Ahunga Ora Retirement Commission (TAAO) has a statutory obligation, under the Retirement Villages Act 2003, to monitor the effects of the retirement village legal framework. TAAO proposed a review of retirement village legislation in December 2020 and released a white paper setting out issues around the retirement village framework.[13] The need for a review was confirmed in June 2021, after public consultation on the white paper, during which 3,300 submissions were received. The Commission provided a summary and recommendations report to the government.[14]

The Commission concluded that the Retirement Villages Act 2003 was at risk of becoming outdated and unfit for purpose. Key concerns were raised about the resale process, the weekly fees charged after a resident vacates a unit, flaws in an overly complicated complaints system, confusing documentation, and the tricky interface between the village and care facilities.

Under the Retirement Villages Act 2003, all retirement villages must register on the Retirement Villages Register. Anyone can search the New Zealand Companies Office website for a registry of all registered retirement villages. Also covered under the Act is the protection for residents, which stipulates that potential residents cannot legally buy into a village without first receiving legal advice.

The Code of Residents' Rights

The Code of Residents' Rights summarises the basic rights the Retirement Villages Act gives to all residents.[15] A copy must be given to intending residents with their disclosure statement.

Examples of the rights include:

- The right to services and other benefits promised in the Occupation Right Agreement (ORA)
- The right to information on anything affecting the terms and conditions of your residency
- The right to be consulted by the operator about proposed changes to the services and benefits provided or the charges you pay that might have a material impact on your occupancy or your ability to pay

[13] White paper - Retirement Villages legislative framework: Assessments and options for change: https://assets.retirement.govt.nz/public/Uploads/Retirement-Villages/Documents-and-white-papers/CFFC-RV-whitepaper-2020-Final.pdf

[14] Retirement villages legislative framework: Assessment and options for change: https://assets.retirement.govt.nz/public/Uploads/Monitoring-and-Reports/Legal-framework-report-2021/RC-RV-White-Paper-Report-2021-.pdf

[15] Code of Residents Rights: https://www.retirementvillages.org.nz/Site/Residents/Code_of_Residents_Rights.aspx

- The right to complain and receive a response within a reasonable time
- The right to a speedy and efficient process for resolving disputes
- The right to have a support person to represent you in your dealings with the operator or other residents
- The right to be treated with courtesy and respect by the operator, the staff, and contractors
- The right not to be exploited by the operator, the staff, or contractors.

1.5 Australia

The regulatory and legislative environment in Australia differs from New Zealand due to there being three levels of government: the federal parliament, state and territory parliaments, and local councils. In Australia, retirement villages are regulated and legislated at the state and territory level rather than federally. The Australian Productivity Commission (the Commission) has previously acknowledged that the inconsistent legislation between states poses many challenges in terms of uniformity and consistency. The Commission has noted that the inconsistency makes it difficult for consumers to compare the provider options on the market between states as well as to obtain legal advice. Furthermore, “prescriptive regulations governing the structure of their contracts can limit the industry’s flexibility” in offering more customised packages (Productivity Commission, 2015). The Commission recommended that state and territory governments pursue nationally consistent retirement village legislation, but this has yet to occur (Productivity Commission, 2015).

There have been several state and territory reviews into the legislation of retirement villages in the past decade, including in Victoria (2016), South Australia (2021), Queensland (2017), and the Australian Capital Territory (2015).[16]

The following legislation governs retirement villages in each state or territory:

- **Victoria** – Retirement Villages Act 1986 and the Retirement Villages (Contractual Arrangements) Regulations 2006.
- **South Australia** – Retirement Villages Act 2016 and Retirement Villages Regulation 2017
- **New South Wales** – Retirement Villages Act 1999 and Retirement Villages Regulation 2007
- **Queensland** – Retirement Villages Act 1999 and Retirement Villages Regulation 2010
- **Tasmania** – Retirement Villages Act 2004 and Retirement Villages Regulation 2015
- **Western Australia** – Retirement Villages Act 1992 and Fair Trading Act 2010
- **Australian Capital Territory** – Retirement Villages Act 2012 and Retirement Villages Regulation 2017
- **Northern Territory** – Retirement Villages Act 1999 and Retirement Villages Regulation 2016.

[16] National Seniors submission – Review of the Retirement Villages Act 1986: https://nationalseniors.com.au/uploads/NSA-Review-Retirement-Villages-Act-1986-VIC-Oct2022.pdf

The legislation primarily governs contracts signed between operators and residents, and defines the various tenure types, terms, and conditions offered by operators, including fees payable, cooling off periods, and dispute resolution (AHURI, 2022).[17] Most Australian legislation is designed to protect consumers' rights and interests, with clear provisions around disclosure, repair requests, and complaint processes. For example, under Victoria's Retirement Villages Act 1986, all retirement villages operating in the region must provide prospective residents with a factsheet detailing offerings, facilities, services, pricing, security, and more for different tenure types.[18] Similarly, in Queensland, retirement village operators must provide a suite of documents 21 days before the resident and the operator enter into a contract.[19] This suite of documents in Queensland includes what is essentially a factsheet and provides new and prospective residents with general information about the retirement village, including accommodation, facilities, and services, as well as the general costs of moving into, and leaving the retirement village, as well as a village comparison document. Most states in Australia also publish contract templates online so that they are freely available for residents and involved parties to become familiar with. This is different from New Zealand, where a resident would normally only receive a contract once, essentially beginning negotiations with the providers.

There is also regulation in some states (i.e., NSW and Victoria) that limits the period of time that former residents must continue to pay service charges after they vacate their unit. Furthermore, some states have a maximum time period in place before exit entitlements must be provided to former residents (i.e., Queensland and Western Australia). Operators of retirement villages in these states are obligated to pay former residents their exit entitlements before the set date, regardless of whether the unit has been re-sold or filled. In NSW, there are select circumstances where a resident can apply for an order from the Secretary of the Department of Customer Service, requiring the operator to pay the departing residents their exit entitlement prior to the sale of the property: "The Secretary can issue an order if the Secretary finds that an operator has unreasonably delayed the sale of the resident's property. This does not apply to strata schemes, company titles, and community title village residents."[20]

Additional governance of retirement villages is provided through an industry code of conduct that was launched in 2018 and became operational in 2020. The Retirement Living Code of Conduct was developed and endorsed by the Property Council of Australia and the Aged and Community Care

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[17] Business models, consumer experiences and regulation of retirement villages: https://www.ahuri.edu.au/sites/default/files/documents/2022-11/AHURI-Final-Report-392-Business-models-consumer-experiences-and-regulation-of-retirement-villages.pdf

[18] Factsheets and forms for retirement village operators: https://www.consumer.vic.gov.au/licensing-and-registration/retirement-village-operators/factsheets-and-forms

[19] Documents and contracts for those involved in retirement village operations: https://www.business.qld.gov.au/industries/service-industries-professionals/housing-accommodation/operating-retirement-village/documents-contracts

[20] Leaving a retirement village: https://www.fairtrading.nsw.gov.au/housing-and-property/retirement-villages/leaving-a-retirement-village

Providers Association (ACCPA).[21] This is a voluntary accreditation code of conduct that providers can become signatories to. The purpose of the code of conduct was to establish an agreed set of standards that providers of retirement communities should meet, as well as ensure providers are held accountable to their residents (ACCPA, 2022). The code aims to "set and maintain high standards relating to the marketing, selling, and operation of retirement communities, including complaints and dispute management procedures for operators and residents."

1.6 United Kingdom

The UK currently has no sector specific legislation or regulatory framework in place to govern the retirement village sector. The main industry and standard setting body, Associated Retirement Community Operations (ARCO), representing retirement village providers in the UK, has previously highlighted the need for such legislation and regulation (ARCO, 2022).[22] The development of a regulatory framework would provide consumers with additional confidence through a fair and transparent deal, as well as longer-term certainty for operators and investors (ILC UK, 2018).[23] This would aid in the continued growth and development of the retirement community sector, which is needed to meet the demands of an ageing population.

However, the lack of sector specific legislation or regulation does not mean that there is no regulation at all. Instead, the retirement village sector works with generic legislation such as the Consumer Rights Act 2015, which is a catch-all regulatory framework for any kind of business-to-consumer relationship. Providers, developers, and operators of retirement villages must consider broader legal obligations that govern areas such as planning, construction, property sales, leasehold and tenancy, health and safety, employment, and more (ARCO, 2015). Residents are also provided a certain level of protection under non-sector-specific legislation such as the Landlord and Tenant Act of 1985. For example, specific clauses in this Act allow consumers the right to challenge a service charge at a tribunal on grounds of unreasonableness.

In March 2023, the UK Government established the Older People's Housing Taskforce with the aim of looking at options for the provision of "greater choice, quality, and security of housing for older people."[24] The taskforce is expected to release its independent report in late 2024 with a set of recommendations. Back in 2016, the Law Commission, an independent body that keeps laws under review and makes recommendations to parliament, published a draft code of practice and subsequent final report (in 2017) to regulate the charging of transfer fees ('exit' fees) and to protect leaseholders from unfair or hidden fees (Law Commission, 2017).[25] As of 2023, the UK government

[21] Retirement Living Code of Conduct – Overview: https://www.accpa.asn.au/wp-content/uploads/2022/09/Retirement-Living-Code-of-Conduct-Overview-v2-September-2022.pdf

[22] ARCO: https://www.arcouk.org/

[23] Stronger Foundations: International Lessons for the Housing-with-Care Sector in the UK: https://ilcuk.org.uk/wp-content/uploads/2018/10/Stronger-Foundations-International-Lessons-for-the-Housing-with-Care.pdf

[24] Older People's Housing Taskforce: https://www.gov.uk/government/groups/older-peoples-housing-taskforce

[25] Law Commission – Event Fees in Retirement Properties: https://lawcom.gov.uk/project/event-fees-in-retirement-properties/

has committed to approving the code of practice but has yet to do so (AgeUK, 2023). Industry representatives hope the taskforce will help push transfer fee reforms forward.

Standards and compliance frameworks have been established through codes of conduct developed by sector bodies such as ARCO and the Association of Retirement Housing Managers (ARHM). These are voluntary codes that only apply to providers who are members of ARCO and ARHM. Broadly, these codes promote best practices from providers and protect the interests of consumers. They provide guarantees for consumers that members of these bodies abide by. They also uphold certain principles and practices beyond the standards required by law. These practices include consumer disclosure requirements, management of fees and charges (including event fees and service charges), complaint handling, re-sales, and staffing. In the absence of national sector-specific regulation, these codes of conduct play a critical role in the effective and ethical function of the sector.

AHRM has separate codes of practice for England, Scotland, and Wales (ARHM, n.d.).[26] In all three countries, each code of practice applies to members of AHRM who are providers of private retirement housing are, whether managed by private companies or registered providers.[27] Meanwhile, ARCO's consumer code covers its members across the UK who are providers of integrated retirement communities (ARCO, 2024).[28]

Regardless of the availability of generic legislation, the absence of sector-specific legislation or regulation that is tailored to the sector's needs creates several issues. This is because some specific issues don't cleanly align with the legislation; for example, leases are assigned for a length of between 125 and 999 years and do not accurately reflect resale from consumer to consumer.

When engaging with ARCO, they explained that the impacts of this legislative and regulatory uncertainty can be summed up as follows:

- **Impact on consumers:** legislative and regulatory uncertainty creates a lack of trust and low consumer confidence in the sector. Customers feel inadequately protected from abuses within the system. On a practical level, it is very difficult for consumers to challenge poor practices or unfair fees (e.g., DMF or event fees). An example of this is that there is no accepted regulatory or legal framework for the disclosure of fees. As a result, it is difficult for customers to prove that they have been mis-sold a unit due to a lack of transparency.
- ARCO aims to enable consumers to be empowered to challenge unfair fees much more easily.
- **Impact on operators and investors:** operators suffer from a lack of trust and consumer confidence. In addition, regarding investments and financing, the main concern with a lack of

[26] England: https://www.arhm.org/wp-content/uploads/ARHM_Code-of-Practice_Digital.pdf
Scotland: https://www.arhm.org/wp-content/uploads/code-of-practice-Scotland.pdf
Wales: https://www.arhm.org/wp-content/uploads/ARHM-Code-of-Practice-Wales.pdf

[27] The code of practice for England and Wales was approved under the Leasehold Reform, Housing and Urban Development Act 1993.

[28] The ARCO Consumer Code:
https://www.arcouk.org/sites/default/files/ARCO%20Consumer%20Code_A5_MAY%202024_Final.pdf

regulation for event fees and DMF structures is that many investors or lenders currently do not lend against or attribute value to long-term DMF income streams. This has traditionally led to a focus on development returns over long term returns (i.e., only making a profit from the initial sale).

- This, in turn, leads to an increase in the sale price of a unit in a retirement village. In the UK, units in retirement villages are typically much more expensive than in the local market (ARCO). There is typically a premium of between 20 and 50 percent applied to retirement communities, making them very expensive and affordable only to the top end of the market. This drives slow sales rates, which encourages builders to build small villages of between 30 and 60 apartments. The small village leads to higher running costs and the lack of a DMF. What this means for residents and potential residents is that, with these operators, all costs are borne by the residents upfront. A typical older retirement community in the UK offering a full service can attract annual fees in the region of $20-$30,000. By comparison, schemes offering DMF structures in the UK have fees that are half this as well as lower entry prices (ARCO).

This lack of established DMF structures means that the market has been slow to grow. Operators that do use DMF structures are forced into more expensive forms of financing and investment, further increasing prices for consumers. In short, the lack of a regulatory framework has seriously hampered the UK, both from consumer confidence and an investment perspective.

ARCO looks to New Zealand's sector-specific regulatory framework as an example that would be a better fit for purpose in the UK, stating, "We would like to get to a stage where New Zealand is already at – with a well-regulated Retirement Communities Act (like the Retirement Villages Act in New Zealand), which enables long-term, patient investment into the sector and shifts attention into long term operation".

1.7 United States

In the United States of America (USA), retirement villages are mostly governed and regulated at the state level rather than federally. State-to-state variation in the regulatory and legislative environment is inconsistent across states regarding the various terminology used (for example, to describe assisted living or independent living) and their definitions. Furthermore, the differing legislation between states can act as a barrier for providers wanting to expand across states because it reduces certainty and confidence for both providers and potential investors (ILC UK, 2018).

However, there are some broad similarities from state to state. For example, to open and operate an assisted living community, every state requires that an operator obtain a licence from the state's appropriate agency prior to opening. The state agency will also routinely inspect the assisted living community, usually annually, so that the operator can maintain their licence. The criteria for obtaining and maintaining the licence are set by each state.

At the federal level, assisted and independent living facilities must consider regulations established in the Fair Housing Act of 1968. Similarly, if they receive funding from Medicaid, a federal agency, they will be required to meet specific standards and conditions set out by Medicaid.

Regulation of strictly independent living facilities, more comparable to New Zealand retirement villages, is less clear-cut (NCOA, 2023).[29] Independent living facilities are not regulated by states (Duke S. 2019; NCOA, 2023) but they might be subject to broader regulation. A provider of independent living facilities must have a business licence and adhere to local health, safety, and building regulations. Only if independent living facilities provide health care services must they be licensed by the state and subject to regulatory requirements. This is why continuing care retirement communities (CCRCs) are regulated in at least 38 states (Breeding, 2012). CCRCs provide a 'continuum' of care from independent living units to long-term care services, allowing residents to age in place. In many of these states, CCRCs are required to receive a state licence and disclose a range of financial and operational information.

The National Center for Assisted Living (NCAL) undertakes a regulatory review of assisted living facilities in each state annually, which provides insight into the stringent regulatory environment.[30] Broadly, the 2022 regulatory review as it relates to assisted living facilities highlighted that:

- Forty-six states require a consumer disclosure, agreement, and/or bill of rights for residents
- All fifty states require a form of resident assessment and, at minimum, must provide activities of daily living for residents
- Forty-nine states have provisions around, and allow, providing medication management to residents
- Forty-five states have minimum educational and/or training requirements for assisted living administrators/directors.

More recently, the 2023 edition of this review noted that 31 percent of states reported regulatory or legislative changes that impacted assisted living residents, staff, and facility operations, from July 1, 2022, to July 1, 2023 (NCAL, 2023).[31]

Throughout the regulatory review, independent living is only explicitly referenced in the West Virginia section. In West Virginia, residential care communities are defined as large independent living communities that provide personal assistance or supervision monthly. Assisted living facilities in West Virginia are defined as facilities providing personal assistance, supervision, or both to residents dependent upon the services. The key distinction between the two is that RCC residents must be capable of self-preservation in an emergency. Both an assisted living facility and a residential care community in West Virginia are required to enter into a written contract that declares services provided, disclosure of costs, and complaint processes. There are also staff requirements and staff training regulations in place.

[29] Assisted Living vs. Independent Living: Four Main Differences: https://www.ncoa.org/adviser/local-care/assisted-living/assisted-living-vs-independent-living/

[30] Assisted living facilities are largely reflective of aged care homes in New Zealand.

[31] Assisted Living State Regulatory Review (2023): https://www.ahcancal.org/Assisted-Living/Policy/Documents/2023_reg_review.pdf

There are examples in other states where the scope of care in assisted living is less obvious and is more strongly influenced by the provider. In California, an assisted living facility must provide care and services appropriate to the needs of residents accepted for admission to the facility (NCAL, 2022). Part of the criteria for admission includes the ability to perform activities of daily living and to not require 24-hour care.

The California Department of Social Services Community Care Licensing Division is responsible for the licensing of Residential Care Facilities for the Elderly (RCFE). Regulation responsibility is shared by the Continuing Care Contracts Branch (CCCB) of the Community Care Licensing Division and the California Senior Care Licensing Program. Included in the CCCB's responsibilities are evaluating the financial health of new and ongoing providers, reviewing contracts, and confirming that residents are provided with certain disclosures.

RCFE providers are also required to provide prospective residents with an admission agreement that includes the basic services, any available additional services, service rates, payment provisions, and refund conditions. Information about service rates and general fees is required to set out the structure, schedule, description, conditions for increases, and refund conditions. Providers must also give written notice to residents no less than 60 days prior to rate increases, including the reason for the increase and a description of the additional costs. Residents must also receive a copy of their personal rights, specifically under Title 22 of the California Code of Regulations.[32]

Residents must also be provided with the necessary details and information about the local Long-Term Care Ombudsman and the Community Care Licensing Division of the State Department of Social Services. This openly gives residents the necessary resources for reporting care complaints.

1.8 India

The Indian federal structure places the responsibility of governing health on the regional state government. This includes managing some of the citizens' health and social needs, including those of senior citizens. In 2011, the National Policy for Senior Citizens was announced.[33] The Ministry of Housing and Urban Affairs (MoHUA) is the authority governing the rules, regulations, and laws relating to housing and urban development in India. Recently, MoHUA recognised that retirement villages come under the real estate project category and are therefore subject to the provisions of the Real Estate (Regulation & Development) Act 2016. The Act makes it mandatory for any projects to be registered under the Act and to meet its provisions.

In 2019, to assist state governments and union territories in protecting the rights of senior citizens and residents, MoHUA developed Model Guidelines for the Development and Regulation of Retirement Homes.[34] These guidelines place emphasis on the basic rights of residents in retirement homes and on a safe and secure environment to address specific needs (Housing Research, 2019). This is in part due to the recognition of the "growing number of senior citizens who belong to the

[32] Laws and Regulation: https://www.cdss.ca.gov/inforesources/community-care/policy/laws-and-regulations

[33] National Policy for Senior Citizens: https://socialjustice.gov.in/writereaddata/UploadFile/dnpsc.pdf

[34] Model Guidelines for Development and Regulation of Retirement Homes: https://mohua.gov.in/upload/uploadfiles/files/Retirement%20Model%20Guidelines%20Book.pdf

'urban upper and middle income' segment" that do not require care in the more dependent 'Old-Aged Homes' established and maintained by states.

There is no industry body representing, or licensing authority governing the senior living community market. This leads to a range of challenges, including the fact that there is no code of industry-wide best practices, or a place for residents to file complaints. This has also led to residents being vulnerable to different forms of exploitation and mistreatment. For example, a finding from research by the MoneyLife Foundation found that 65 percent of respondents had not signed a contractual agreement that clearly outlined the terms of service and their rights. 90 percent of respondents had no anticipated increases in maintenance costs, and 70 percent said that there was no resident council to let them have their say in the running of the retirement home (MoHUA, 2019).

1.9 Canada

Retirement villages in Canada are regulated and legislated differently across each province. The key difference across provinces is that Ontario, the largest province, is the only province to have an independent regulatory body that oversees the retirement village sector.

The major acts and bodies regulating the retirement sector in Canada are the Retirement Homes Regulatory Authority and the Residential Tenancies Act. Retirement village residents are also covered under this Act. In Ontario, retirement villages are regulated by the Retirement Homes Act, 2010 (RHA).[35] In Quebec, the designation "private seniors' residences" is only reserved for residences that hold a Certificate of Compliance from the Government of Quebec (Wyonch, 2024).

Seniors living in retirement villages are eligible for government-funded home care services. However, how this funding is delivered differs across provinces. Each province delivers the funding through separate government bodies and under different legislation. Consequently, the coordination of this care with the retirement village staff is not always ideal and can be confusing for the residents.

Under the Residential Tenancies Act 2006, residents can resolve disputes through the Landlord and Tenant Board (LTB).[36] The LTB is a tribunal with the authority to resolve disagreements between landlords and tenants.

1.10 Germany

In Germany, there are three main types of senior housing: retirement villages (*Seniorenwohnung, Seniorenstift)*, old people's homes (equivalent to assisted living) (*Altenheim, Altenwohnheim)*, and nursing homes (*Altenplfegeheim, Pflegeheim)*. The key distinction between the home types is the level of care available to residents. In most facilities today, there is a combination of all three.

The legislative environment around care, retirement, and assisted living homes in Germany varies from state to state. The German Federal Republic comprises 16 federal states, each with different legislative structures. A 2018 report by the global real estate services company Jones Lang

[35] Retirement Homes Act 2010: https://www.ontario.ca/laws/statute/10r11

[36] Residential Tenancies Act 2006: https://www.ontario.ca/laws/statute/06r17

LaSalle Incorporated (JLL) points out that because of this fragmented legislative arrangement, investors and operators need to take account of regional and local structures if a home is to operate successfully and generate sustainable profits.[37] The numerous Acts covering retirement living in Germany includes:

- Second Care Strengthening Act
- Housing and Nursing Care Contracts Act
- North Rhine-Westphalia (NRW) with its Housing and Participation Act
- Rhineland-Palatinate with its Law on Living Arrangements and Participation
- Saarland with its Saarland Housing, Care and Nursing Quality Act
- Hesse with its Hessian Act on Care and Nursing Services
- Baden-Württemberg with its Housing, Participation and Care Act (WTPG)
- Bavaria with its Care and Housing Quality Act
- Self-determination Support Act, Schleswig-Holstein
- Quality of Care Homes Act, Mecklenburg-West Pomerania
- Forms of Assisted Living, Participation and Care Act.

[37] Care homes in Germany: https://www.jll.de/content/dam/jll-com/documents/pdf/research/emea/germany/en/Care-homes-in-Germany-JLL.pdf

3 The New Zealand operating model

Legal title

The most common providers of retirement villages in New Zealand include companies and charitable trusts. Before entering into a contract with a retirement village provider, potential residents must seek legal advice. An ORA sets out the terms and conditions of a resident's occupancy. There are several operating models of retirement villages in New Zealand, and the most common legal title for retirement villages is the licence to occupy, which accounts for around 95 percent of the market (Martin Jenkins, 2023). A less common legal title is the unit title ORA, and the rent or lease ORA.

In some cases, regional councils also offer housing for eligible New Zealand residents aged over 65. For example, the Western Bay of Plenty Regional Council offers independent living units for rent at a rate of $396 per fortnight for a single tenant and $516 for a couple.[38]

Financial aspects

The licence-to-occupy model requires an upfront capital sum for the purchase of the licence to occupy, which grants the right to live in the house permanently. Operators have interest-free use of the capital sum required for this operating model during a resident's occupancy.

Retirement villages in New Zealand often charge weekly or monthly fees. These fees vary greatly across providers and include management fees and operating costs. According to a 2023 paper by Martin Jenkins the average weekly fees, based on Retirement Village Association (RVA) data, sit at $140 and these fees can continue being charged by providers after a resident has left the village. Operators are allowed to continue charging weekly fees indefinitely until the unit or apartment has been re-sold. However, after six months providers are required to reduce the weekly fee by 50 percent. According to the RVA, 44 percent of operators stop charging weekly fees within a month of a resident's exit.[39]

Exit entitlements

Additionally, when a resident leaves the facility, the provider will often renovate. The deferred management fee (DMF) may include these costs, but the resident is not charged directly for renovation costs. A DMF is often around 20-30 percent of the upfront capital sum charged on entry. Occasionally, this cost is accounted for in the ongoing fees charged, and, in most cases, it will be charged when the resident leaves as an exit cost.

[38] Elder Housing: https://www.westernbay.govt.nz/community/elder-housing

[39] Retirement Villages Stakeholder Forum: https://assets.retirement.govt.nz/public/Uploads/Retirement-Villages/Events/RV-Stakeholder-Forum-Full-day-presentationfinal-for-website.pdf

According to Village Guide, in some cases, the DMF will include costs associated with re-licencing a unit, including legal, administrative, and marketing fees. In other cases, operators will charge these fees separately.[40]

Depending on the village, the deferred management fee may be known by another term such as:

- Membership fee
- Amenities fee
- Facilities fee
- Village contribution fee

Residents in retirement villages have an ORA that sets out the terms of the ongoing weekly fees, and this can vary between operators. In many cases, these fees will continue until the unit is sold. However, once the resident has vacated the property for six months, the operator must reduce any ongoing fees by at least 50 percent.[41]

The treatment of capital gains

Many residents of retirement villages in New Zealand forfeit any capital gains from the property when it is sold after their departure. According to Village Guide, the most common scenario is that any capital gains or losses will be either received or absorbed by the operator. Alongside not receiving capital gains if the property is sold for a profit, some retirement villages will sell the property at a loss, and this loss is incurred by the outgoing resident. According to the Retirement Village Association (RVA), almost 90 percent of units no longer have a capital loss clause; however, these 90 percent of units also receive no capital gain (RVA, 2023).[42]

Transition points

Usually, independent villas and apartments don't meet the Ministry of Health requirements for a room in a nursing home. As care needs increase, residents would need to move into a serviced apartment or nursing home, which is often co-located but may incur transfer costs and a second DMF.

A DMF and the forfeiture of capital gains often mean that it is cost-prohibitive for a resident to leave a retirement village. However, some providers who own multiple retirement villages usually allow residents to relocate to another retirement village that they also own without needing to pay the DMF. However, this does still incur some costs, such as a transfer fee and sometimes a requirement to pay for any price differences if they are moving to a more expensive location.

[40] The costs of living in a retirement village: https://www.villageguide.co.nz/resource-centre/the-costs-of-living-in-a-retirement-village

[41] Village Guide: https://www.villageguide.co.nz/retirement-village-faqs

[42] A briefing from the Retirement Villages Association: https://www.retirementvillages.org.nz/download/165240/RVA%20Stakeholder%20Briefing%2008-23.pdf

The offer

Retirement villages in New Zealand often offer many on-site facilities and activities. Swimming pools and bowling greens are common. Many villages offer on-site cafes, libraries, and communal vegetable gardens.

Refundable Accommodation Deposit (RAD) is beginning to be used in New Zealand for care suites. Residents usually have a choice between paying a RAD and getting the full amount back when they leave or paying a capital sum and losing the DMF when they leave. The RAD option is always more expensive.

Additionally, in New Zealand, there are two distinct types of retirement living: the rest home and the retirement village. The distinction between a retirement village and a rest home is that rest homes are similar to hospitals and dementia units, whereas retirement villages offer independent living, often with care options available, or rest homes either on site or next door.

The types of homes offered vary from village to village. Within villages, there are also options to choose from. These options range from villas, townhouses, apartments, serviced apartments, and the care centre. The key difference between an apartment and a serviced apartment is that the serviced apartment includes 24-hour support and access to Ministry of Health rest home-level care. Care centres are certified by the Ministry of Health to provide rest-home and hospital-level care, meals, cleaning, personal care services such as showering and nursing are provided. Village residents usually have priority access to the care centre, subject to eligibility and availability.

4 International operating models

The popularity of retirement villages varies significantly from country to country, and so do the operating models adopted by providers. In some markets, renting is the predominant lease or legal title offered, which differs greatly from the licence-to-occupy model that dominates the New Zealand market.

1.11 Australia

The retirement village landscape in Australia is relatively similar to that in New Zealand, with the level of services, types of tenure, financial fee structures, and operating models all comparable. An important distinction is the regulation of retirement villages, which is the responsibility of states in Australia rather than a federal responsibility.

Australia's ageing population is putting growing pressure on retirement villages and their regulation. As of June 2023, 17 percent of Australia's population was over the age of 65 years, which was an increase from 12 percent in 1993 (AIWH, 2024). The minimum age of entry into retirement villages in Australia is over 55 (Australian Government, 2024), although in 2022 the average age of entry into retirement villages was 75 (PWC, 2022).[43]

In Australia, retirement villages are predominantly designed to offer independent living options for active seniors who can live on their own with minimal assistance.[44] In retirement villages, homecare services are designed to provide support when residents need it while allowing them to maintain their independence. In comparison, aged care facilities offer 24/7 care for residents for whom living independently is no longer viable.

Most retirement villages in Australia consist of independent living units (i.e., villas, or apartments) with a range of communal and shared facilities and services, including dining, care services, gardening, and other activities. The extent of care services provided will vary between providers and from state to state, but 24-hour emergency care will always be available.

Operating models and legal title

The major providers of retirement villages in Australia are for-profit, commercial providers that represented 66 percent of all retirement villages in 2022 and accounted for a further 80 percent of units provided (PWC, 2022). This market share varies slightly from state-to-state.

The Australian Housing and Urban Research Institute Limited (AHURI) identified four main tenure types in Australian retirement villages.[45] These include the licence to occupy, leasehold, strata, and freehold. Tenure type, providers, and state regulation all factor into the rights of residents.

[43] 2022 PWC/Property Council Retirement Census: https://www.propertycouncil.com.au/wp-content/uploads/2023/06/20230619-2022-Retirement-Census-Snapshot-Report_Online-Version.pdf

[44] The Village: Retirement Group: https://thevillage.com.au/work-reside-in-retirement-village/

[45] Business models, consumer experiences and regulation of retirement villages: https://www.ahuri.edu.au/sites/default/files/documents/2022-11/AHURI-Final-Report-392-Business-models-consumer-experiences-and-regulation-of-retirement-villages.pdf

Licence-to-occupy and leasehold agreements share some common conditions and are the most prominent form of arrangement between residents and providers. Similarly, strata and freehold also share some commonalities. An estimated 84 percent of retirement villages operate under either a loan lease or loan licence structure, and 11 percent operate with a strata or freehold structure (PWC, 2022).

Licence-to-occupy

A leasehold loan or licence arrangement, otherwise known as a licence-to-occupy, is the most prevalent form of tenure type in Australian retirement villages, particularly with for-profit operators.[46] This is also the case in New Zealand. In a loan or licence agreement, the retirement village provider retains ownership of the land, and residents pay an entry contribution (a refundable accommodation deposit) that gives them the licence to occupy the property on the land (AHURI, 2022). Retaining ownership of the land means providers have the flexibility and ability to redevelop the land if needed (Productivity Commission, 2015).[47]

The entry fee acts as an interest free loan that is partly refundable, minus a deferred management fee (DMF) (also known as an 'exit fee') upon the resident's departure from the property. In some cases, the refundable amount is only payable to residents once a new resident takes over the property. In recent years, some Australian states have started to regulate the maximum period of time before operators are obligated to pay residents these exit entitles. In Queensland, following an amendment to the Retirement Villages Act 1999 in 2017, retirement village operators must pay former residents their exit entitlements within 18 months after the resident terminates their right to reside in the unit (Queensland Government, 2023). In Western Australia, a maximum time limit of 12 months was placed on operators' obligations to pay exit entitlements, requiring operators to pay former residents within 12 months of the resident leaving (Government of Western Australia, 2022).

The exit fee is calculated as a percentage of the entry contribution or the resale price of the unit that accrues on an annual basis. The exit fee can also consider the resident's length of time in the unit. Typically, in Australia, these fees can range from 20 to 45 percent of the entry contribution or resale price (ILC UK, 2018). The intricacies of exit fees have led to criticism of how they are calculated and a lack of complete understanding of them (25 percent of respondents to an AHURI survey did not understand exit fees or experienced difficulties with them (AHURI, 2022)).

In some cases, residents will also be entitled to a share of the capital gains the property may generate over the course of the tenure. Residents will also be required to pay ongoing service and maintenance fees during their stay.

Leasehold

A leasehold arrangement has relatively similar conditions to that of a licence to occupy arrangement, but the key distinction is that leasehold leases are registered with relevant land title

[46] Licence-to-occupy (27 percent), leasehold (57 percent), strata or freehold (11 percent), rental options (two percent) are also available (other three percent).

[47] Housing Decisions for Older Australians: https://www.pc.gov.au/research/completed/housing-decisions-older-australians/housing-decisions-older-australians.pdf

offices. This offers residents a higher degree of security of tenure as their interests are registered in the lease title. This can attract stamp duty (land transfer duty) fees under some conditions in some states. Registering interests in lease titles can complicate planning and development processes for providers as they need to navigate separate titles (Productivity Commission, 2015).

Residents are required to make a lump-sum entry contribution to secure the lease, usually a long-term lease of 99 years, with a percentage of this repaid (minus a deferred management fee (DMF) or exit fee) upon their departure. This is often referred to as a lease termination payout and is based on a percentage of the selling price as well as the length of their tenure. This refundable amount might only be payable once a new resident has taken over the lease. There is regulation in some states that places a maximum period during which operators are obligated to pay former residents these exit entitlements (i.e., 18 months in Queensland, 12 months in Western Australia, 12 months in South Australia, and six months in Victoria).

Freehold and Strata

Freehold and strata arrangements are relatively uncommon in Australian retirement villages but are forms of direct ownership structures. Typically, these structures are more costly than other arrangements, but they provide greater security over tenure and the opportunity for more participation in the management of the retirement village. Residents under these ownership structures are usually involved in the body corporate and are entitled to vote on matters affecting the retirement village. However, they are responsible for statutory and utility charges and stamp duty fees (Hu Xin, 2017).

Retirement villages operating a strata ownership structure enable residents to purchase the freehold title to a unit. This means that they own the freehold title to their unit but not the land or structures.

In both agreements, prospective residents enter into a contract for the sale of land with the existing registered proprietor (this could be the retirement village provider or the exiting resident) and are required to pay a purchase price upfront. Additionally, they will be required to pay stamp duty fees. The usual on-going service and maintenance fees charged by the retirement village will also need to be paid, and strata or community levies might also be required. In Queensland, freehold and strata arrangements mean that departing residents are entitled to keep any capital gains that their unit has accrued.[48]

Rental

Rental models represent a small share, only two percent, of the tenure types offered by retirement village providers in Australia (PWC, 2022). It is important to note that rental models in the Australian states do not fall under the Retirement Village Acts, but many will be covered by the Residential Tenancies Act.[49]

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[48] RetireAustralia: https://retireaustralia.com.au/articles/retirement-villages-what-are-the-costs-freeholdnsw/

[49] In NSW, Western Australia, the Northern Territory, South Australia, and Victoria, renters are covered under the Residential Tenancies Act 2010, the Residential Tenancies Act 1987, the Residential Tenancies Act 1992, the

Manufactured Home Estates (MHEs), a form of rental tenure, have emerged as an affordable and viable option within the retirement village market in Australia. MHEs target consumer segments that specifically lack the assets and capital required to meet the often-high entry cost for typical retirement villages (AHURI, 2022). Under these operating models, providers retain ownership of the land, and residents either own the home and rent the site or rent both the home and the site (Productivity Commission, 2015). There are both risks and strengths associated with this model. MHEs constitute a very different legal basis compared to traditional retirement villages. Although this varies from state to state, it tends to be a very "light touch" regulation (AHURI, 2022). There is very limited security of tenure, and residents can often be evicted without grounds. There is also potential for ongoing charges to be increased without residents being able to contest them, as well as, in most cases, ongoing charges being higher than for traditional retirement villages.

Unlike traditional retirement villages in Australia, MHEs receive government support. Some MHE residents who receive the age pension as renters are eligible to receive Commonwealth Rent Assistance (CRA) to subsidise costs during their stay.[50] Traditional retirement village residents are considered homeowners once their entry contribution passes the asset test threshold, and therefore, they are not able to receive the CRA. MHE residents also receive a share of capital gains when selling the property and are not charged a DMF (Productivity Commission, 2015).

Financial aspects

The financial aspects and fee structures involved in Australian retirement villages are complex and vary between providers as well as from state to state. This variation creates difficulty for residents in making reasonable comparisons between offers, leading to uncertainty and confusion (Productivity Commission, 2015). The broad fee structure in Australia is relatively similar to that in New Zealand, with three core stages of payment. There is, however, additional regulation in place to improve the fairness associated with some stages of payment. The core stages of payments include the initial upfront payment, ongoing service and maintenance fees, and a final fee, such as a DMF (Hu Xin, 2017).

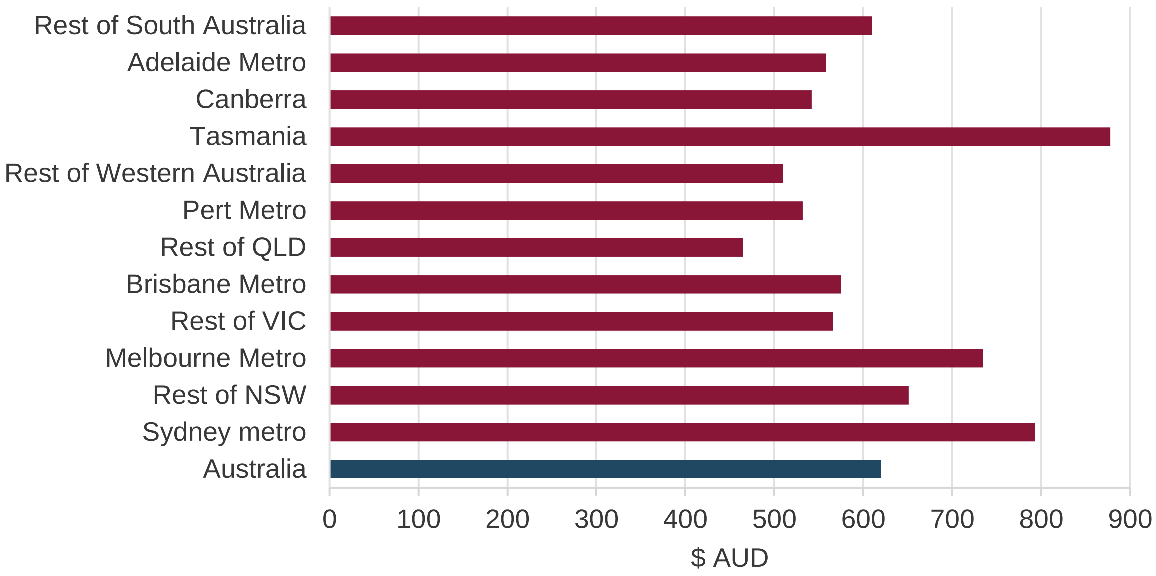
The initial upfront payment is often referred to as an entry contribution or a refundable accommodation deposit. Most residents fund this from the sale of their previous residence, if possible (Hu Xin, 2017). The entry contribution is essentially an interest-free loan to the provider that is refundable to a certain degree (minus the DMF) at the end of the resident's tenure. It acts to reduce the initial entry contribution required and helps cover village management costs for providers.

Residential Tenancies Act 1995, and the Residential Tenancies Act 1997 respectively. In Queensland renters are covered under the Residential Tenancies and Rooming Accommodation Act 2008 and the Residential Tenancies and Rooming Accommodation Regulation 2009.

[50] Commonwealth Rent Assistance: https://www.dss.gov.au/housing-support/programmes-services/commonwealth-rent-assistance

Again, we refer to the PwC Property Council Retirement Census, which provides a snapshot of the service fees and deferred payment structure in Australia.

Figure 1 Weighted average monthly service fees by village by location – 2-bedroom ILU, 2022
n = 516 villages



Source: 2022 PwC/Property Council Retirement Census

Monthly service fees in Australia are typically charged on a cost-recovery basis. According to the PwC survey, the national weighted average monthly service fee for two-bedroom Independent Living Units (ILU) in December 2022 was $620 AUD. This was an increase of $118 AUD over the previous 18 months. Tasmanian operators charged the largest monthly service fees at $878 AUD, while the rest of Queensland (outside of Brisbane) charged the smallest monthly service fee of $465 AUD. The average fee difference between metro and regional villages was approximately $84 AUD, which was 20 percent lower than it was in March 2021.

On-going maintenance and service fees are required in each retirement village operating model in Australia and are often required to be met on a weekly or monthly basis. These fees include, for example, village facilities, cleaning, insurance, and repairs. Operators typically charge this on a cost-recovery basis (PWC, 2022). Although states require fees to be disclosed (at varying levels of detail), there are still concerns from residents about the visibility and transparency of ongoing charges (AHURI, 2022). Ongoing fees are also often linked to the consumer price index (CPI) and will increase in accordance with it, whereas in New Zealand, many providers fix ongoing fees for the tenure. Although fees are not allowed to increase at a rate above the CPI (Consumer Affairs Victoria, 2023; Queensland Government, 2024; NSW Government, n.d.), there have been previous concerns raised by residents about this happening (AHURI, 2022).

Under purchase-related tenure types (i.e., freehold, licence to occupy), residents are often required to continue paying these service fees after they have left the retirement unit. This could be for a specific period or until the vacated unit is on-sold. In 2022, the average selling time for independent living units was 253 days (PWC, 2022). The terms around this will vary from state-to-state and between providers. In Queensland, until the unit is sold, the departing resident pays the service charges in full for up to 90 days, and following this, the resident and operator share the cost as they would the proceeds of the unit resale (e.g., 50/50). This occurs for a further six months, or until the unit is sold. In NSW, there is a 42-day cap on reoccurring service charges if the resident's lease agreement includes them sharing at least 50 percent of the capital gain. In Victoria, residents continue paying service charges until the unit is sold or a new tenant enters a contract, unless the lease agreement states otherwise. There have been cases where residents felt operators were slow in the marketing and reselling of their units, as well as general concerns about this model when demand is low or refurbishment is delayed.

Exit entitlements

At the termination or end of a resident's lease, they will tend to be subject to a final fee, often called an exit fee or a DMF. This exit fee will typically be taken out of the refundable accommodation deposit, or the property sale valuation. This will depend on the lease agreement and will also tend to be influenced by the resident's length of tenure. A DMF will, on average, represent approximately 30 percent of the final price. The portion of exit fees that are set aside for capital fund contributions has recently been capped in South Australia at one percent of the current market value per annum, up to a maximum of 12.5 percent. Therefore, if a leaving resident has held tenure for three years, the total amount that can be deducted from their exit entitlements as a contribution towards capital funds will only be three percent of the current market value.

Like reoccurring service charges, the DMF may only be payable once the unit has been sold or filled. Therefore, former residents might be subject to continuing to pay service charges and not be entitled to their DMF until a new resident has moved in. There is regulation to limit the maximum time residents remain in these circumstances in some states, including exit entitlement limits in Queensland (18 months), Western Australia (12 months), and South Australia (12 months), and caps on the ongoing reoccurrence of service charges in Queensland and NSW. In some areas, there are also mechanisms related to the DMF that help facilitate the transition to aged care by requiring the operator to pay a part of the exit entitlement to the aged care operator. South Australia's recent amendment to their Retirement Villages Act requires worked calculations of exit entitlements to be disclosed at the two-, five-, and ten-year mark of tenancy to all new prospective residents.[51]

Table 2 Maximum year of deferred payment by operator (%)

n = 502 villages

	Cumulative % of operators	
Maximum Year of Deferred Payment	2021	2022
Six years	72	68
Eight years	85	87
Ten years	99	100

[51] Retirement Villages (Miscellaneous) Amendment Bill 2024 – How the proposed changes will apply to residents and prospective residents: https://www.sa.gov.au/__data/assets/pdf_file/0006/893166/How-the-proposed-changes-will-affect-current_and-prospective-residents.pdf

The 2022 PwC/Property Council Census states that typical contractual terms entered by residents of Australian retirement villages have the maximum deferred payment time limit within six years. Operators with a maximum deferred payment of six months accounted for 68 percent of retirement villages for the 18 months to December 2022 (Table 2). Additionally, 87 percent indicated that the maximum deferred payment percentage was within eight years and the remaining operators within ten years.

The Census also found that the median maximum deferred payment percentage across Australia was 30 percent over five years and that the maximum deferred payment percentage for 98 percent of all villages was 36 percent or less. However, they also found that deferred payment structures varied significantly between operators ‘due to a broad range of village standards, service offerings, and financial arrangements that are tailored to residents’ needs and circumstances’.

Transition points

The most common reason for a resident to exit a retirement village in Australia is entering into aged care (31 percent), followed by entering into another retirement village (20 percent) (PWC, 2022). Residents who passed away or who were transferred to the hospital accounted for around 23 percent of departing residents. While the remaining 16 percent went elsewhere, such as to live with family (PWC, 2022).

In NSW, when residents—who are registered interest holders with a long-term registered lease that gives them a 50 percent or more share in capital gains—transition to an aged care facility, operators are required to pay up to 85 percent of the exit entitlement directly to the aged care facility if the outgoing residents request it.[52] This payment would go towards the resident’s accommodation payment at the aged care facility (PWC, 2022).

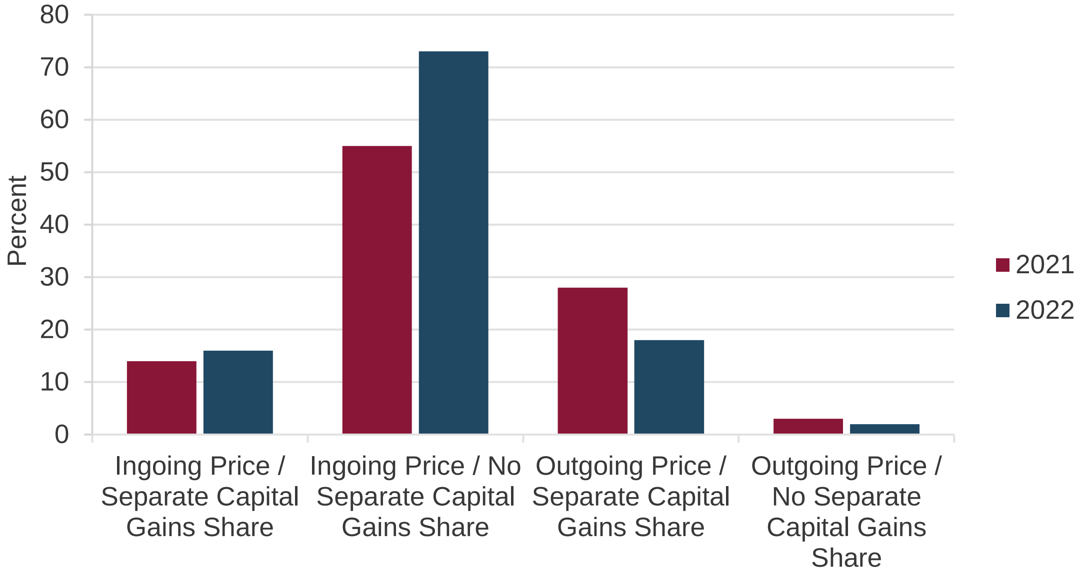
The treatment of capital gains

Some residents may have a capital-gains sharing arrangement included in their lease agreement. In 2022, 58 percent of payment structures in Australia included capital gains sharing. This proportion was a decline from the previous year of 75 percent (PWC, 2022).

[52] Leaving a retirement village: https://www.fairtrading.nsw.gov.au/housing-and-property/retirement-villages/leaving-a-retirement-village

Figure 2 Deferred payment structure offered to new residents (%)

n = 498 villages



Source: 2022 PwC/Property Council Retirement Census

Overall, the proportion of deferred payment structures with a separate capital gains share for the resident was 25 percent, while the share of residents without a capital gains share was 75 percent.

According to the 2022 PwC report's findings, this decline in capital gain shares being offered to residents reflects a continued shift to ingoing price structures where residents are not entitled to a share of the separate capital gains (increasing from 55 percent in the financial year ending March 2021 to 73 percent). This shift was particularly notable for the larger villages with a capacity of 100 units or more in the metro regions (2022, PwC).

The offer

The majority of retirement villages in Australia offer independent living, although the country is starting to see a shift as the government has begun funding care at home. As a result, many retirement villages are looking to adapt to this model.

In Australia, 46 percent of operators provide regulated home care services to either residents in the village and/or seniors outside of the village (PwC, 2022). Additionally, 26 percent of retirement villages have co-located aged care facilities onsite. According to the 2022 PWC Property Council Retirement Census, "53 percent of new villages under development have indicated that a residential aged care facility will be provided on-site or co-located. This was significantly higher than the existing villages nationally, with just 26 percent providing aged care."

Figure 3 Percentage of existing Australian retirement villages with aged care co-located

n = 434 villages

Source: PWC 2022 Property Council Retirement Census

Retirement villages offer several facilities and amenities that vary by provider.[53] Common amenities offered include fitness centres, swimming pools, lawn bowl greens, dining options, and social activities including pool, trivia, bingo, and book clubs.

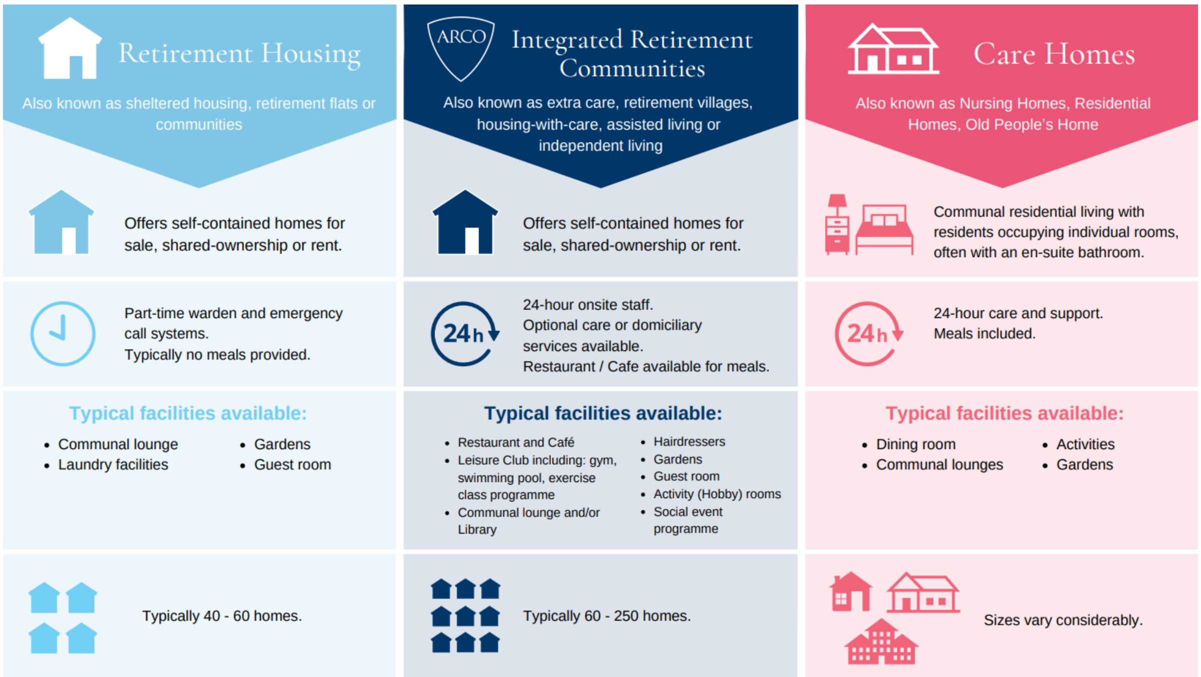
[53] Can you work and reside in a retirement village? Your questions, answered: https://thevillage.com.au/work-reside-in-retirement-village/

1.12 United Kingdom

There are multiple terms used across the United Kingdom (UK) to describe the relative level of care and services that are also provided by retirement villages in New Zealand. These UK terms include retirement communities, integrated retirement communities (IRC), housing-with-care, retirement housing, sheltered housing, age care precincts, as well as retirement villages. Differences in care, facilities, and management, amongst other factors, vary between each definition. Retirement housing, housing-with-care, and IRC tend to be the most commonly referred-to forms of retirement villages in the UK's evolving market. Figure 4 details a breakdown of the care and facilities typically provided by three core terms defined by ARCO, showcasing the increasing spectrum of care from left to right.

Throughout the following section, 'retirement villages' will be used as an umbrella term to describe retirement housing, house-with-care, and IRC – the three most comparable to retirement villages – unless information specifically relates to one definition.

Figure 4 Characteristics of retirement housing, IRCs, and care homes, UK



Source: ARCO, 2022[54]

In the UK, the retirement villages' sector is notably smaller and not as mature as in other comparative countries, notably New Zealand and Australia. In 2022, approximately 0.6 percent of people over the age of 65 lived in retirement villages in the UK, compared to around five percent in New Zealand, Australia, and the United States (ARCO, n.d.).[55] Within the UK, England has a more

[54] ARCO – Written Evidence: https://committees.parliament.uk/writtenevidence/111992/pdf/

[55] Retirement Communities: Fact Pack: https://www.arcouk.org/sites/default/files/ARCO%20Retirement%20Communities%20Fact%20Pack_ONLINE%20aw4_0.pdf

established retirement village sector compared to other nations (Fyfe et al, 2023). The majority of individuals across the UK over the age of 65 remain in traditional households as homeowners. However, demand for independent living and care services that sit below care services typically provided by nursing and care homes is increasing. IRCs in particular are a growing development in the market, with an estimated 3,992 new units delivered in 2022, compared to 2,611 new units of retirement housing (BPF, 2023).[56] In part, an ageing population across the UK is driving this.

The offer

Retirement communities in the UK are very similar to those in New Zealand. In the UK, however, the term villages is generally associated with out-of-town rural developments, which is why retirement "communities" is a more popular term with customers.

Broadly speaking, the offer will be similar to that found in New Zealand retirement villages. Some retirement villages will offer the full continuum of care — from independent living to assisted living to care homes and dementia care. While other retirement villages will offer independent living only. What they all have in common is that optional care services are delivered to units where required. There is also 24-hour staffing on-site, including meals and activities.

In the UK, there is also a 'retirement housing' model, which consists of small units of 30-60 flats with minimal services and is sold on a development profit basis.

Operating models and legal title

Leasehold

The majority of retirement villages are sold on a leasehold basis in the UK (AgeUK, 2023). A leasehold arrangement provides residents with a temporary right to live in the unit with a lease usually for 99 or 125 years, sometimes longer (e.g., 999 years). This is most common in England and Wales, whereas in Scotland, the current legal framework limits a residential lease to only 20 years (Fyfe et al, 2023). The Scottish Housing-with-Care Taskforce suggested that a misapplication of the maximum 20-year lease right could attract needed investment into Scotland, where retirement communities are presently rare (Fyfe et al, 2023).[57]

The leaseholder tends to have ownership of the property but not the land it sits on. If the property is to be resold or sublet, this will be done at its reduced lease length and is the responsibility of the exiting leaseholder (or their family). This means that there is only a business-to-consumer transaction at the first point of sale, and after that, transactions are from consumer to consumer. Stakeholders acknowledged that this system is problematic as the leasehold structure does not change over time, and so effectively, in a hundred years' time, people could still be buying contracts that are more than a hundred years old.

[56] Housing for an ageing population: Our recommendations: https://bpf.org.uk/media/6389/cw-housing-for-an-ageing-population-report-in-association-with-the-bpf.pdf

[57] The Scottish Housing-with-Care Taskforce: https://www.arcouk.org/sites/default/files/SHWCT%20findings%20document%20June%2022_1.pdf

A traditional leasehold model requires residents to pay an upfront purchase price and will either include regular service charges and an exit fee (otherwise known as a DMF) or just regular service charges.

Leaseholders purchasing retirement housing with an already existing lease have previously been required to pay an annual ‘ground rent’ in addition to the purchase price. Ground rents are paid to the freeholder of the land and have typically been used to offset development and operating costs associated with communal areas in retirement villages. However, from April 2023, under the Leasehold Reform (Ground Rent) Act 2022, all ‘ground rents’ on new leases in retirement housing in England and Wales were reduced to zero (AgeUK, 2023).[58] This was enforced to combat concerns of escalating pricing and a lack of transparency. It is important to note that this only applies to new leases created in April 2023.

Most leasehold agreements in retirement villages require the landlord (either directly or through a managing agent) to be responsible for day-to-day scheme operations and providing maintenance, repair, insurance, and services that are set out in the lease agreement. The leaseholder essentially reimburses the landlord for these services through the payment of regular service charges. Under a traditional leasehold agreement, service charges are largely uncapped and can increase each year. Additionally, residents are not protected from unexpected costs. This has been a major barrier for residents wanting to move into a retirement village.

Rental models

The rental market in the UK is split between a large sector for social or affordable rent, which is largely run by charities, and a private sector. This market has been growing in attraction, specifically the more affordable options that are well suited to older people with high occupational pension income. In these more affordable rental offerings, the government subsidises a resident’s stay in a retirement village, often as a result of higher care needs. The majority of rental providers in the retirement villages sector have typically been associated with social housing provided by local councils or housing associations (AgeUK, 2022). However, the market has been expanding with growing amounts of private investment (JLL, 2022).

According to a study by JLL, in the ten years from 2012 to 2022, the number of retirement living schemes offering market rent as a tenure has increased by 200 percent (JLL, 2022). Historically, there has been a large preference for owning property in the UK, and this has previously limited the growth of rental models in retirement villages. A stakeholder noted that more than 70 percent of older people in the UK own a property and are not eligible to receive government assistance with their rents. This has further limited growth in the rental market.

Renting in retirement villages provides limited security of tenure compared to freehold or leasehold agreements, but considerably more flexibility in the tenancy. The tenancy will often be for a fixed term and is much easier to terminate if circumstances change. Depending on the tenancy agreement, renters in retirement villages can expect to pay the rent, a regular service charge,

[58] Buying retirement housing: https://www.ageuk.org.uk/globalassets/age-uk/documents/factsheets/fs2_buying_retirement_housing_fcs.pdf

utility-related bills, and other personal bills. Currently, there is limited consumer protection for residents renting in a retirement community outside of broader legislation. The Renters (Reform) Bill, which is in its second reading in the House of Lords (as of May 2024), will offer some protection if it is passed, specifically in terms of 'no fault' evictions, appealing above-market rents, and resolution matters (Travers Smith, 2023).

Private retirement villages offering renting as a tenure type can tend to be more expensive, and there is less regulation around the charges. Year-to-year increases can occur, which remains a core challenge for expanding the private rental model market for retirement villages.

Shared ownership model

A variation on traditional rental models is the shared ownership model. Under a shared ownership model, residents purchase a proportion of the value of a unit and pay rent in relation to the remaining portion (AgeUK, 2023). Residents are the leaseholders of the property while paying rent. This model overlaps with both rental and leaseholder tenure offerings. Although representing a small proportion of the market currently, the potential of this offering has been recognised if improved regulation and support were to be provided (All-Party Parliamentary Group, 2023). The Scottish Housing-with-Care Taskforce has also acknowledged a shared ownership model as a potential solution to the current shortfall in the supply of retirement villages in Scotland.[59]

This offering provides an alternative, more affordable tenure type for retirement village living (ILC UK, 2022). Prospective residents have more flexibility in the amount of equity they invest in the unit, and they can pick a proportion that fits their priorities. In most cases, residents have the ability to purchase a larger share in the future and can 'staircase' up to 100 percent ownership. In this scenario, residents would only have to pay service charges and would no longer have to pay any rent (Travers Smith, 2023). Similarly, residents can 'staircase' down to a lower proportion and free up some of their equity investment.

However, there is currently limited consumer protection in place for residents. The range of costs involved in a shared ownership model can include the purchase price, ongoing fees (service charges), deferred fees (exit fees), rental payments, and valuation fees. There is limited regulatory framework around the management of these fees and there are concerns around these elements. In particular, high and/or unexpected rent and service charge increases are an issue (All-Party Parliamentary Group, 2023).

Government support in England for encouraging the uptake of these tenure types has been supported by the Older Persons Shared Ownership (OPSO) scheme that is available to residents aged 55 or over with a household income of less than £80,000. This innovative scheme allows residents to purchase up to 75 percent of the home, and after this threshold, the resident does not pay any rent. The All-Party Parliamentary Group acknowledged the "important future" of this

[59] Scottish Housing-with-Care Taskforce: https://www.arcouk.org/sites/default/files/SHWCT%20findings%20document%20June%2022_1.pdf

offering, but it will require further simplification and revision to encourage providers to enter the market.[60]

Financial aspects

Exit entitlements

There are a smaller number of leasehold providers in the UK that operate a buy-back model where, at the end or termination of the long-term lease, the operator will "buy back" the unit from the resident (minus the DMF). These operating models carry a higher level of risk for the operator due to future debt-like obligations (Delahunty, 2023).

Leasehold operators that adopt a model with a DMF can provide flexibility to consumers by allowing a higher DMF to offset and reduce regular service charges, and vice versa. In most cases, residents opt to choose models where a higher DMF can offset service charges and reduce the entry price, reducing their risk of long-term repairs. Models without a DMF include service charges that are typically much higher, as well as a higher upfront entry price. This is because residents must pay for everything in the service charges (including long-term maintenance) on a "pay-as-you-go-basis". Stakeholders indicated that models with DMF structures have fees that are half of what is offered in non-DMF models.

A lack of regulatory framework has hampered industry adoption and growth of DMF structures within traditional leasehold models. Stakeholders noted that many investors and lenders do not lend against long-term DMF structures with more of a focus on development returns (i.e., making money from first sales only). This approach has contributed to most of the costs being borne by residents upfront. For operators that do provide DMF structures, they have been forced into more expensive forms of financing, further passing on increased prices to residents. However, stakeholders stated that there are indications that investors would welcome the opportunity to invest in more sustainable long-term models, specifically if a regulatory framework was established.
Transition points

Under providers that use a DMF structure, leaseholders can also expect to pay an exit fee (also known as an event fee or DMF) upon reselling or sub-letting under the leasehold agreement. An exit fee defers some of the upfront cost and helps support the long-term sustainability of retirement communities. The exit fee will be detailed in the lease agreement and will likely take into account the length of tenure. It will either represent a percentage of the resale price or the entry price. There are several retirement village operators substituting a DMF for what is referred to as a 'contingency fee', often charging this at one percent.[61] A contingency fee is pinned to a resident's tenure at the retirement village and accrues on an annual basis. This can help to

[60] Making retirement living affordable: the role of shared ownership housing for older people: https://www.housing21.org.uk/media/14750/appg-report-making-retirement-living-affordable-the-role-of-shared-ownership-housing.pdf

[61] Retirement Villages Compared: https://hoa.org.uk/advice/guides-for-homeowners/i-am-buying/retirement-villages-compared/

minimise the loss residents might incur when exiting a retirement village, particularly if circumstances change within a short period of time.

Stakeholders noted that the typical UK model involves the DMF being charged on the resale price and the resident being entitled to 100 percent of the capital gains from the sale of the property (minus the DMF). However, operators are interested in shifting away from residents receiving capital gains from the property sale and instead charging the DMF on the entry price. The argument is that if operators could hold onto outgoing residents' capital gains, it would enable them to keep costs to the consumer lower (both upfront and ongoing). On the contrary, when a resident does not receive a share in any capital gains, they will have less money when they leave to help finance their next purchase, whether it be another retirement community or a move into aged care.

Models that include a DMF have helped to improve the affordability of the sector, although there are still challenges. Providers that do not offer DMF structures are typically much smaller as well. All the costs need to be recovered at a high upfront price and high service charges, which is a less appealing proposition for residents. Although DMF structures have contributed to long-term growth in the sector, exit fees have come under considerable scrutiny in the UK due to a lack of transparency and cases of operators charging high, or unexpected, exit fees to residents (IC UK, 2018). This is again an issue that arises due to the lack of an established regulatory framework. In 2017, the Law Commission found some “major issues” with event fees (‘exit fees’) and recommended improved regulation of them by:

- Limiting when an event fee can be charged, and, in some situations, the amount that can be charged.
- Imposing stringent obligations on landlords to provide transparent information to a consumer about the event fees payable early in the purchase process.[62]

Although the government committed to implementing some of the recommendations, it has yet to do so.

In many cases, departing residents may be required to continue paying service charges until the unit has been resold and/or filled. A more recent development in the market has been fixed charges that either increase with the retail price index (RPI) each year or are fixed for life. These arrangements are laid out in the leasehold agreement. Only providers that offer a DMF structure can adopt a fixed service charge.

The treatment of capital gains

According to the ARCO, the typical UK model allows for the resident to take all the capital gains, less the DMF of between 10 and 30 percent. However, operators in the UK are interested in moving away from this model and charging a DMF on the entry price, as this has several advantages to both the customer and the operator. Essentially, charging an entry price enables operators to keep both upfront costs for ongoing customers lower than if the resident participates in all the equity gain.

[62] Law Commission – Event Fees in Retirement Properties: https://lawcom.gov.uk/project/event-fees-in-retirement-properties/

The result of operators charging on the resale price has been that properties in the UK are still priced at levels that are above local market rates. As operators cannot adjust prices after the first sale, they are, even if using a DMF model, incentivised to achieve higher upfront prices.

According to ARCO, customer research has shown that customers are open to a no capital gains model as long as the rest of the proposition is right, i.e., reasonable upfront pricing and reasonable ongoing costs with an equitable distribution of risk and reward.

There are several models in the UK where a no-capital-gains model is being used, mainly for charities. However, as this was coupled with a guaranteed buyback, it has had a negative impact on the growth trajectory of the organisations involved. As these are treated as contingent liabilities, this has created funding issues (including rating agencies threatening to downgrade commercial bonds issued by large charitable housing associations), which is why there is now a move away from a guaranteed buyback model. Models that stop ongoing fees if the unit is unsold for a certain time period are now being considered (key contact discussion, ARCO).

1.13 United States of America

Independent living and assisted living are the two most common terms used in the United States of America (USA) to describe housing with care similar to retirement villages in New Zealand (ILC UK, 2018). Independent living facilities do not provide the same level of personal care services that assisted living facilities provide (National Council on Ageing (NCOA), 2023). Although the extent of care services is greater in assisted living facilities, most residents do not usually require 24-hour care, but these facilities are still considered long-term care (NCAL, 2023). Independent living facilities are also referred to as retirement communities, 55+ communities, and senior living communities. Furthermore, Continuing Care Retirement Communities (CCRC) provide a "continuum" of care to residents, including services involved in independent (most comparable to retirement villages) and assisted living facilities.

The overall market has grown significantly in recent decades, with more available options. Over half of independent living units and two-thirds of assisting living units were developed in the last 20 to 30 years (Lindberg, 2022). There were an estimated 2,900 independent living communities and 7,900 assisted living communities across the USA in 2019 (National Investment Centre (NIC), 2020).

The offer

It is also common for a spectrum of care services to be provided by facilities on the same campus (not just in CCRCs), and similarly, residents in independent living can organise third-party care services. This overlap in services provided can make it challenging to distinguish between, and within, assisted living and independent living facilities (Duke S, 2019, Breeding, 2021). This is particularly the case for CCRC providers, whose whole business model is founded on being able to provide appropriate care services at varying levels.

Brookdale Senior Living is among the largest retirement villages in the USA, housing over 60,000 residents across 675 retirement villages in 40 states. The amenities provided in retirement villages across the counts, including Brookdale, include salons, cafes, clinics, games rooms, fitness centres, arts & crafts studios, billiards, libraries, theatres, golf courses, swimming pools, and walking paths.

Many retirement villages also offer events and activities for residents including cooking classes and educational workshops to exercise classes and book clubs.

Operating models

Most retirement village providers in the USA are for-profit operators. An estimated 80 percent of assisted living communities were operated by for-profit providers (Samuels, 2023). The not-for-profit providers, which are usually churches and charitable trusts, represent a smaller share of the market, but they often provide cheaper alternatives.

Renting

Renting models within the retirement village sector (for both assisted living and independent living facilities) are much more common in the USA in comparison to Australia and New Zealand (ILC UK, 2018). In the US, rental models are estimated to account for 90 percent of the total retirement village housing stock (Knight Frank, 2022). According to The Global Ageing Network, Washington, DC, in most rental models, it is all fee for service – rent plus whatever fees may be charged for ancillary services selected by the resident. Monthly fees for rentals often cover rent as well as other residential costs (e.g., light housekeeping, meals, facilities, and activities). In some cases, residents may need to pay a refundable security deposit or an entrance fee. The tenancy agreement details the costs, services, and terms of termination.

Rental models facilitate flexibility in the retirement village sector in the USA and allow residents greater mobility to move along the spectrum of care services provided by facilities. In these models, however, residents are often more exposed to rent increases.

Regarding independent living facilities operating a rental model, residents requiring care services are likely to fund and arrange this privately through a third party rather than through the facility operator, although there are providers that do assist in this process. Third-party care services are therefore not always included in the independent living facility rental model but are a cost some residents will have to bear personally. This will be explicit in the tenancy agreement.

Due to this additional layer of care, assisted living facilities tend to be more expensive than independent living facilities.[63] In general, assisted living facilities operate with higher cost structures and face stricter regulation.[64]

Financial aspects

Entrance fee

Entrance fee models are most prominent with CCRC providers, where residents can more seamlessly transition along the spectrum of care services as they need them. Entrance fee models involve the resident paying an upfront purchase price (often refundable when leaving the community entirely), regular service charges, and potentially a partially refunded exit fee. The structure of fees involved in these models varies significantly between providers. The typically high upfront purchase price is to accommodate the "continuum" of care a resident might receive over the course of their tenure. The degree to which this cost is refundable depends on the provider and the specific tenancy agreement. There is great variation from state to state on when a leaving resident can expect to receive their exit entitlements. This includes upon resale of the unit, some upon resale of any unit, and some within maximum timeframes (for example, three or nine months). The majority of CCRC providers operate a fee-for-service structure for residents, meaning that as residents transition from independent living to assisted living, for example, they can expect their monthly service fees to increase as they require more care.

[63] Entrance fee vs. Rental model in senior living communities – Understanding differences: https://portersneckvillage.org/blog/senior-living-entrance-fee-vs-rental-model/#:~:text=What%20is%20an%20Entrance%20Fee,not%20offered%20by%20rental%20models.

[64] Assisted Living vs. Independent Living: Four Main Differences: https://www.ncoa.org/adviser/local-care/assisted-living/assisted-living-vs-independent-living/

1.14 India

The retirement village market in India is in the very early stages of development and growth. This has meant that the available literature and data on the retirement village sector in India is significantly limited. Historically, social and cultural norms have traditionally placed a moral obligation on children to assume the responsibility of caring for ageing parents. Multigenerational households are common. However, the past decades have seen decreasing numbers of nuclear families, with more children moving away from home due to greater career mobility and opportunities, and this has led to a growing demand for care services given the increasing elderly population (Housing Research, 2022; JLL, 2023). Such factors have contributed to notable developments in the retirement village market. COVID-19 also further added to the development of the market, as it emphasised the need for the availability of care for older individuals.

The common terminology for retirement villages in India includes senior living communities, retirement homes, and independent living facilities. Most providers have an age of entry of 55 years or older.

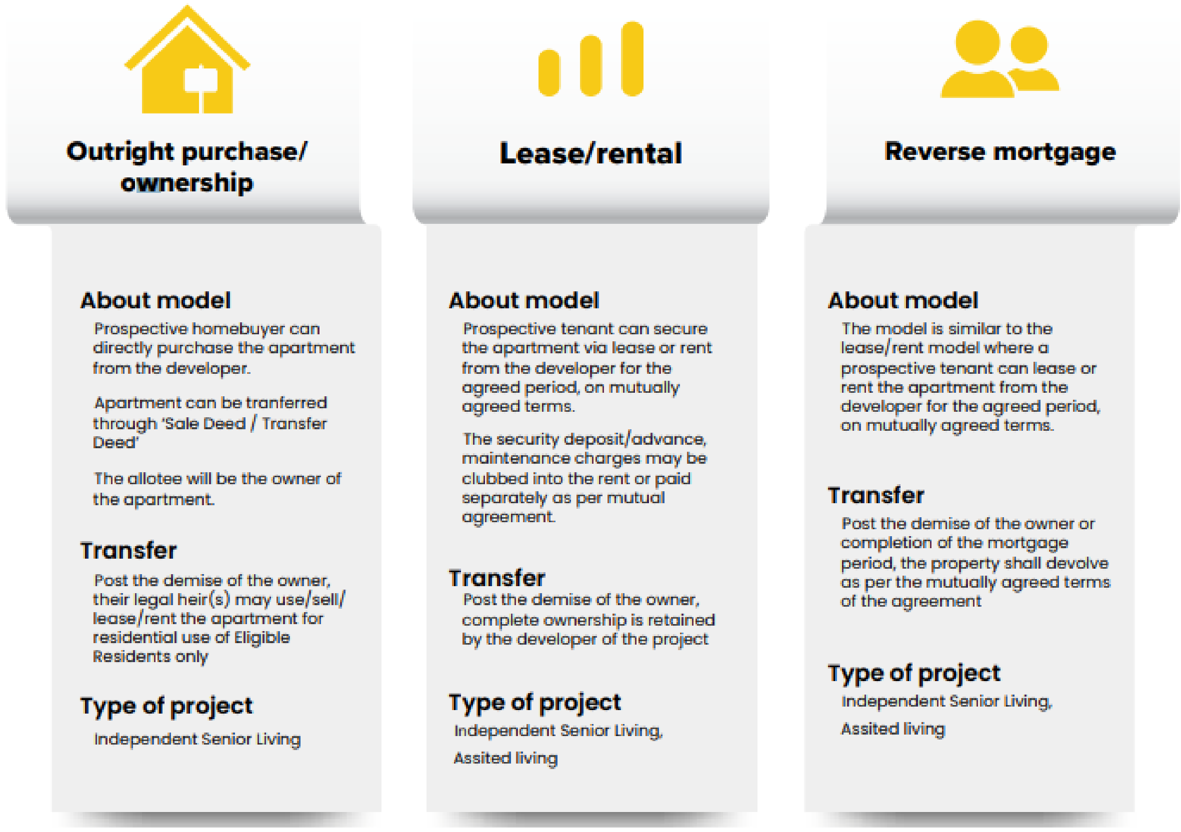
The offerings from retirement villages in India differ between each provider and within states. Units will range from standalone independent living units to apartment style units, including many of the same facilities and amenities located at other international retirement villages. The level of care provided also varies considerably by provider, with some offering integrated services between aged care and retirement villages.

Legal title

The Model Guidelines for Development and Regulation of Retirement Homes (2019) advise that an agreement of sale for residents and retirement community providers is a model tri-partite agreement. This would be between the resident, the retirement community provider, and the developer. This would help to secure the rights of residents, holding the provider and developer jointly responsible for obligations (MoHUA, 2019).

The guidelines go on to detail three different models for operating retirement communities in India, including an ownership model, a lease/rental model, and a reverse mortgage model. Although there is limited data available, 60 percent of projects are estimated to be sale-based (ownership models), with just below 30 percent operating lease models (Housing Research, 2019). An overview of the three models is provided in Figure 5.

Figure 5 Different financial models in senior living, India



Source: Housing Research, 2019[65]

Outright purchase / ownership model

Under an ownership model, the resident will directly purchase the retirement unit from the provider and will get the same rights as the owner of the unit. Included in this purchase price will be an interest-free maintenance security deposit (IFMS), otherwise known as an exit fee or refundable accommodation deposit in other international markets (MoHUA, 2019).

Lease / rental model

In a lease/rental model, the resident will be required to pay rent as well as maintenance charges. These charges may be grouped together as one sum or separately, depending on the agreement. Security deposits are also not always required in each agreement.

Reverse mortgage model

Reverse mortgage models are less common but involve properties (retirement units) staying mortgaged to financial institutions that will pay a lump sum or instalments to the resident for a period of time. At the end of the tenure period, the property will devolve as laid out in the agreement.

[65] Housing Research - The Silver Economy: https://cdn.spark.app/media/housingcom/pdf/the_silver_economy_a_perspective_on_senior_living_in_india_housing_research_2022.pdf

Financial aspects

The retirement village market in India is in very early stages of development. In this context, there are limited resources that detail the different financial aspects of different retirement villages in India. It is likely that there is a notable difference between each provider and within each state. To this extent, we have detailed the available information on the broad aspects.

In India, residents in retirement communities can usually expect to pay costs in three broad stages: the initial purchase price (except for most rental models), ongoing maintenance charges, and an IFMS (exit fee).

Maintenance and service charges are regular fees (weekly, monthly, etc.) and cover basic services, facilities included, and amenities at the retirement community. Providers are only able to review the maintenance and service fees once a financial year, and consultation with residents' councils is required first. The provider must also inform residents of any changes. However, it has been previously noted that 70 percent of retirement home residents said that there was no resident council to let them have their say in the running of the home (MoHUA, 2019).[66]

Exit entitlements

The IFMS is refunded to the resident upon termination of the agreement or at the end of the tenure, and this must be done typically within a maximum of three months. On-going maintenance charges will also be required. In the case of death, this is passed on to the legal heirs. As the owner of the unit, the resident is responsible for on-selling the unit if they leave.

[66] MoneyLife Foundation: Retirement Homes in India: https://www.mlfoundation.in/media/uploads/article/pdf/Retirement%20Homes%20in%20India-79428192172492.pdf

1.15 Canada

Retirement living in Canada is most typically used by older seniors and is more of a needs-based service than a lifestyle option. The typical age of entry into retirement villages in Canada is around 85 to 87. Seniors move into retirement villages when living independently at home is no longer an option. Many residents take advantage of retirement village living to access care, support, and socialisation.

Legal title and operating model

Rental

Canada's retirement communities are close to 100 percent rental-based, and residents are covered under the Residential Tenancies Act. The advantages of this rental model for residents are significant. The rental portion of the fees that residents pay is controlled under the Act and is therefore limited to a government-set percentage increase each year.

Another key benefit of the rental operating model is the flexibility it provides to residents. In a country as large as Canada, families can often be located far away in other provinces, and, as a result, many seniors may wish to relocate at some stage to be closer to family. Renting means that residents are not locked into one provider, and they can change providers easily if they are not happy or if their care needs exceed what that provider is able to offer.

The average length of time a resident may stay in a retirement facility in Canada is much shorter than what is standard in New Zealand. The flexibility to move and relocate means that many will choose to do this. This rental model works well for both the operator and the resident.

Another aspect to note is that if a resident stops paying rent to the operator or if the operator wishes to terminate a tenancy, this can be appealed through the Landlord and Tenant Board (LTB). These disputes can, in some cases, take years to resolve. During this time, the operator has no legal right to evict the resident and must continue to provide food, accommodation, and care services.

Commercial providers

Not-for-profit operators account for only five percent of the market. Retirement operators in Canada are predominantly private commercial providers, as there is no government funding that directly funds this sector. Rental agreements are also paid privately and supplemented with government-funded home care for those who qualify. Qualifying for government-funded care is based on the individual's level of need.

Affordability

In the aftermath of the COVID-19 pandemic, costs for retirement housing have soared, and affordability is more of a challenge for middle-and low-income seniors. So far, neither the federal nor most provincial governments have provided additional support to help retired seniors with the increased cost of retirement living and growing rents. However, the Ontario Retirement Communities Association (ORCA) mentioned that Quebec introduced a tax credit scheme for seniors that was effective in addressing the affordability issue. As a result, ORCA says that the uptake of retirement home living is much higher in Quebec than in any other province. ORCA is working with governments in other provinces to encourage them to adopt a similar model.

Financial aspects

Residents at retirement villages pay rental fees (controlled) and care fees (uncontrolled). Typically, for Canadian retirement homes, there are no entry or exit fees, with the exception of fees relating to notice periods for accommodation and food expenses.

The cost breakdown that most providers charge individuals for rent, food, and care is highly variable. The cost of real estate and accommodation varies widely across locations, provinces, and the quality of the facility. Additionally, the amenities and services provided vary greatly, and so do the care needs of individuals.

According to the C.D. Howe Institute, around half of seniors currently living in retirement villages have care needs that qualify them for publicly provided home and community care (Wyonch, 2024).[67]

The offer

The level of care services provided at most retirement communities also varies greatly. This feeds into why renting is seen as a preferable option for Canadians, because as care needs increase as a person ages, it may be necessary to relocate to an operator that provides greater care levels.

Canadian retirement living does not typically have 24-hour nursing care on-site. If a resident required that level of care, they would need to access the government-funded long-term care system.[68]

The Retirement Homes Regulatory Authority lists 13 care services that may be provided in a retirement village; however, most villages do not offer all 13.[69] Each retirement village offers at least two of the following 13 care services:

1. Assistance with bathing
2. Assistance with personal hygiene
3. Assistance with ambulation
4. Assistance with feeding
5. Provision of skin and wound care
6. Continence care

[67] Scenarios for Seniors' Care: Future Challenges, Current Gaps, and Strategies to Address Them: https://www.cdhowe.org/sites/default/files/2024-04/FinalCommentary_656.pdf

[68] Evidence and Perspectives on Funding Healthcare in Canada: https://healthcarefunding.ca/long-term-care/#:~:text=Long%2Dterm%20care%20funding%20tends,Long%2DTerm%20Care%202010).

[69] Key facts to know about retirement homes: https://www.rhra.ca/wp-content/uploads/2018/05/Fact-Sheet-re-Retirement-Homes-May-2018-final.pdf

7. Administration of drugs or another substance
8. Provision of a meal
9. Dementia care program
10. Assistance with dressing
11. Any service that a member of the Ontario College of Pharmacists provides while engaging in the practice of pharmacy
12. Any service that a member of the College of Physicians and Surgeons of Ontario provides while engaging in the practice of medicine
13. Any service that a member of the College of Nurses of Ontario provides while engaging in the practice of nursing.

Retirement villages in Canada also offer many other facilities and amenities, such as tennis courts, golf courses, putting greens, driving ranges, and health and wellness centres (including fitness equipment, spas, clubhouses, and physiotherapy). Other facilities usually available include games rooms with ping pong tables, shuffleboards, and billiards; communal dining rooms; and party facilities for entertaining guests.

1.17 Germany

A 2018 report by the global real estate services company Jones Lang LaSalle Incorporated (JLL, 2018) provides a deep dive into the investment potential of care homes in Germany.[70] Assisted living in Germany is predominantly focused on residential use and is much less regulated than nursing homes. There are only a few large players, and each one holds a relatively small market share (Beier, 2023).[71]

The accommodation and services available for seniors and retirees differ widely from country to country, even within the old European Union boundaries. In Germany, there are effectively three main types of senior housing: retirement villages (*Seniorenwohnung, Seniorenstift)*, old people's homes (equivalent to assisted living) (*Altenheim, Altenwohnheim)*, and nursing homes (*Altenplfegeheim, Pflegeheim)*. The key distinction between the home types is the level of care available to residents. In most facilities today, there is a combination of all three.

Many retirement villages in Germany are owned, or partially funded, by the state. JLL, in their 2018 report, laid out the market share of the not-for-profit, public, and private sectors. They explain that market share concentration for the retirement homes industry is low and that the top four companies generate less than 40 percent of industry revenue.

The not-for-profit sector includes those owned by religious or secular charitable organisations and accounts for over 50 percent of the companies in the market. The largest single group of German care homes by far belongs to the two Christian umbrella organisations Diakonisches Werk (20 percent) and Caritas (ten percent).

The public sector accounts for around seven percent of care, retirement, and assisted living homes in Germany and includes those owned and operated by local authorities, municipalities, including municipal-funded trusts, federal states, or subsidiaries of hospital operators or hospital groups. The largest public sector operators are the Vivantes Group (0.3 percent), part of Berliner Klinikverbund, followed by Münchenstift (0.2 percent), and SozialBetriebe Köln (0.2 percent).

The private sector accounts for around 40 percent of care, retirement, and assisted living homes in Germany. The largest players in the private sector are Korian (3.3 percent), Nordic Capital/Alloheim (2.1 percent), Victor's Unternehmensgruppe (1.7 percent), and Orpea (1.4 percent).

Legal title

Our research shows that the rental model is the primary model of retirement living in Germany. In general, renting in Germany is much more common than in New Zealand, with over 50 percent of the population renting their home. In Germany, renting is cheap and well-regulated by the

[70] Care homes in Germany: https://www.jll.de/content/dam/jll-com/documents/pdf/research/emea/germany/en/Care-homes-in-Germany-JLL.pdf

[71] Senior Housing in Germany – a demographic necessity and solid investment: https://www.dlapiper.com/en-th/insights/publications/real-estate-gazette/real-estate-gazette-living-capital/6-germany-senior-housing-in-germany

government. Homeownership, on the other hand, is not particularly encouraged by regulation (Phillips, 2014).

Financial aspects

Residents of a nursing home pay a monthly fee that is stipulated in the home contract, which is made up of various elements for full-time inpatient care:

- Care costs (care services, social care, and medical care). This is a daily care charge.
- Accommodation and meals (so-called hotel costs) around €650 per month.
- Investment costs (modernisation work or building maintenance) around €500 per month. Investment costs are paid upfront and in full and are the property-related rent for residents. Investment costs also include the costs of the construction or acquisition of the home, and any repairs and maintenance including replacement costs for inventory (JLL).
- Training levy (varies depending on the federal state and is a cost to cover staff training).
- Costs for additional services (comfort services).
- Additionally, senior living in Germany attracts investors in real estate and health care.

In 2015, Germany's family ministry kicked off a programme called "gemeinschaftlich wohnen, selbstbestimmt leben" or "communal housing, independent living" that provides financial support to 29 model senior community living projects around the country (2015, Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (Germany)).

The offer

Retirement villages in Germany offer accommodation and several meals a day. In most cases, the residents benefit from comprehensive care and support, including medical care. In addition to full-time inpatient care, many villages also offer short-term care, respite care, or day care. The level of care provided is based on five care grades, and seniors can decide between receiving that care at home or in a residential retirement facility.

The five care grades are:

- Care grade 1: little impairment of independence or abilities
- Care grade 2: considerable impairment of independence or abilities
- Care grade 3: severe impairment of independence or abilities
- Care grade 4: extreme impairment of independence or abilities
- Care grade 5: extreme impairment of independence or abilities combined with special requirements for nursing care.

Most residents live independently in apartments with their own kitchen, however, most also provide the option of a shared communal kitchen. Many villages in Germany offer other services, such as hairdressers and chiropodists. Many also offer activities such as painting and pottery, yoga, swimming pools, and Catholic and/or Protestant chapels, theatre halls, and libraries.

5 Analysis and observations

From our research and conversations with international retirement village contacts, it is evident that New Zealand has a long-established retirement village market, with a higher number of retirement villages per capita than anywhere else in the world. The concept of living in retirement communities is much more ingrained in New Zealand culture than in many other countries.

In most European and Scandinavian countries, the traditional retirement villages that New Zealand is familiar with are not commonplace. In countries such as China, India, Singapore, and Germany, the idea of retirement communities is new and potentially growing in traction. This is due to several reasons, from ageing populations to increased economic mobility reducing the number of typical nuclear families. As a result, these countries are beginning to investigate the concept of retirement villages as a means of creating community among the elderly, who often live alone once their children have grown up. With this context in mind, many countries look to well-established retirement village operating models as examples to emulate. One of the consequences of this is that some countries, such as the UK, see the highly profitable (to providers) licence-to-occupy model (adopted in New Zealand) as a prominent example.

In countries such as Germany, Canada, and the USA, there is a lot of overlap between retirement villages, assisted living, and nursing homes. This has the added benefit of allowing residents to stay put in one place for their retirement and have the level of care they need increase over time and come to them (i.e., Continuing Care Retirement Communities in the USA). Around half of Canadian seniors currently living in retirement villages have care needs that qualify them for publicly provided home and community care (Wyonch, 2024).[72] The nature of Germany and Canada's rental model also means that these villages are much easier to leave to find an alternative provider should they require a higher level of care than what is available with their current provider or their circumstances change otherwise.

However, simply having a very ingrained and established licence-to-occupy model with sector-specific regulation does not mean it is the best operating model or way of doing things. There are many disadvantages to New Zealand's dominant licence-to-occupy legal title. One of the frequent points raised around the licence-to-occupy model is the financial burden to residents and an 'unfair imbalance between the rights and responsibilities of residents and those of operators' (Retirement Commission, 2021).

There are levers available to help balance this more. States in Australia have made ground to improve the fairness of retirement village business models by regulating the length of time departing residents must pay ongoing service fees as well as requiring exit entitlements to be paid after a set period of time. States have also implemented regulations that require retirement village operators to buy back units after a specified maximum period of time. This means the former know the latest date they might receive their exit entitlements, reducing the nervousness involved in residents moving on from a unit and ultimately improving flexibility.

[72] Scenarios for Seniors' Care: Future Challenges, Current Gaps, and Strategies to Address Them: https://www.cdhowe.org/sites/default/files/2024-04/FinalCommentary_656.pdf

In the UK, models that include a DMF have helped to improve the affordability of the sector, although there are still challenges. Providers that do not offer DMF structures are typically much smaller as well. All the costs need to be recovered at a high upfront price and high service charges, which is a less appealing proposition for residents.

One of the consequences of the licence-to-occupy model is that it offers very little flexibility to residents should their circumstances change or should they need to relocate to stay near family. The decreasing number of operators who offer capital gains shares to residents is an example of this. In New Zealand, some providers who own multiple retirement villages usually allow residents to relocate to another retirement village that they also own without needing to pay the DMF. However, this does still incur some costs, such as a transfer fee and sometimes a requirement to pay for any price differences if they are moving to a more expensive location.

The Canadian rental model sits in contrast to the New Zealand operating model. The flexibility of the Canadian model, alongside the mutually beneficial rental arrangement, was raised as a strong benefit of the rental system, which, in addition, is covered by the Canadian Residential Tenancies Act of 2006. The flexibility of the Canadian model needs to be viewed in balance with the fact that there is no sector-specific legislation or industry body representing retirement villages in Canada. Whereas in Australia, this exists and provides residents in retirement villages with improved consumer rights and protection. However, a key consideration when comparing rental models from overseas markets is that many countries outside of New Zealand have very different attitudes, norms, standards, lengths of tenure, and protections for renting that are not commonplace in New Zealand.

With many international markets looking to New Zealand's sector-specific regulatory framework as an example to emulate, we must strike the right balance between looking after the best interests of residents, consumer fairness and protection, and the financial viability and longevity of providers.

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