

OPERATOR'S STATEMENT – SUMMERSET GROUP HOLDINGS

A General Description of Summerset and our Growth Aspirations

1. Summerset was founded in 1994. Since this time the company has evolved from being a relatively small operator located primarily on the Kapiti Coast, into the second largest developer and third largest operator of retirement villages and aged care facilities in New Zealand. More recently, since 2011 Summerset has almost doubled the size of its business from 1,668 units to 2,999 at present, with an additional 748 aged care beds. Summerset currently provides a range of living options for over 4,400 residents located in 22 villages across New Zealand. Summerset also has another six properties (including the proposed Lower Hutt site) that are either currently in early planning, the subject of RMA approvals, or where construction has only recently been commenced.
2. Summerset has a strong development pipeline for future growth. Ten villages are currently under construction, and Summerset is continually evaluating new sites for the development of more villages to respond to demand.
3. Summerset's retirement villages are major developments. The total cost of constructing each village can range from approximately \$50 million to \$200+ million. At the larger end of the scale is the Ellerslie development which was successfully opened by the Prime Minister in August 2017. The expenditure for the Ellerslie development exceeds \$200 million. A majority of these costs are being spent within the local, regional and domestic economies. It is expected that the development cost for the proposed Lower Hutt village will be in excess of \$150 million.
4. Summerset develops and operates retirement villages with a focus on providing residents with a continuum of care in villages which contain both independent and assisted living units, and care facilities for those who need more support. These living options are set within a comprehensively designed and integrated community with purpose-built facilities located at the heart of the village to support the health and well-being of residents.
5. Summerset prides itself on being a responsible developer, and is very aware of the need to ensure its developments respond appropriately to the surrounding environment. From the outset of any development process Summerset engages a team of expert consultants to advise on technical issues. Summerset ensures that their expert advice is responded to by

designing and locating our villages so that the effects of our developments are managed appropriately.

6. The provision of quality, purpose-built retirement villages resulted in Summerset being awarded the Best Retirement Village Operator at the Australasian Over 50s Housing Awards for four years running.

The Retirement Living Context

7. The retirement village industry in New Zealand generally tends to reflect and follow trends at the international level, particularly those in developed western countries such as the United States, United Kingdom and Australia. The retirement centres 'movement' is very well established in the United States, where it comprises specialist retirement communities/towns, centres and village-style accommodation.
8. Whilst retirement villages with a generally similar format to the modern-day facilities have existed in New Zealand for forty years, they have steadily increased in number over the past two decades. In 2016 there were a total of 383 retirement villages of varying descriptions currently operating throughout New Zealand, with a total of 28,168 units.
9. The Government's 'ageing in place' strategy is aimed towards providing home support services for older people living in their own homes, as a way of decreasing the need for institutionalised care. This is a common strategy adopted by many OECD nations. The strategy is also consistent with the strong desire of many older people to maintain their independence and remain living in their local communities.
10. In respect of the provision of housing for older people, the strategy comments that the ageing population is one force driving changing housing needs in New Zealand. Increased numbers of people are approaching retirement age and people are living longer, leading to a demand for housing to meet individual needs. Housing interventions for older people need to be developed, along with services that support older people where they live.
11. Retirement villages are able to fulfil the 'ageing in place' imperatives through an attractive combination of independence, security and 24 hour access to the support that traditional rest homes provide, as well as opportunities for social interaction in modern, purpose-built facilities. This is one of the reasons why retirement villages are seen as one of the solutions to the housing needs of the country's ageing population.

12. Summerset's retirement villages are actively aimed towards addressing the goals of the strategy. They provide a continuum of services ranging from housing which enables residents to live independently within a community environment, serviced units where residents can receive assistance with some of their daily needs as they age, to shared community and recreation facilities.
13. Over the past several years, Summerset has seen demand for modern retirement village living increase as older people's knowledge and confidence in the sector has grown. Changes in recent years to Government legislation concerning retirement villages and residential-care subsidy levels have also increased the attractiveness of retirement villages as a realistic housing option for older people.

Demographics of the Ageing Population in New Zealand and Hutt City

New Zealand

14. As with other developed nations New Zealand has an ageing population. The percentage of New Zealand's population aged over 75 years is currently at 6.4% of the current nationwide population, and this demographic is steadily rising. Projections based on the 2013 Census from Statistics New Zealand indicates that the population aged 75 years will grow by 164% by 2043.
15. As a consequence of the growing aged population, the proportion of the over 75 year age group living in retirement villages across New Zealand has also been growing, and is expected to continue to do so. For example, the market penetration rate (being the percentage of people aged over 75 residing in retirement villages has grown from 7% in 1998 to 12.4% currently).
16. To put some context to these percentages, Government statistics show that New Zealand as a whole requires an additional 12,000 to 20,000 aged care beds, on top of the current 32,000 existing to meet the projected increase in demand over the next 15 years.¹
17. Over 1,000 retirement units are required per annum to meet current demand (if demand shifts above current penetration rates then the number of new units required per annum dramatically escalates). Summerset estimates that around 750 units are currently built per annum.

¹ Jones Lang LaSalle Whitepaper 2017

18. There are several factors contributing to the current undersupply. One is the average cost to build a single aged care bed. It costs on average \$180,000 to build a single care bed. That means the additional 20,000 care beds required in New Zealand over the next 15 years would cost around \$3.6 billion, and that figure does not include replacing current aged and outdated stock.
19. The percentage of the population in the older age bracket is large, and steadily rising. 'Baby Boomers' are now entering the retirement age and will continue to do so over the next several years.

Hutt City

20. Hutt City Council's Urban Growth Strategy 2012-2032 (March 2014) identifies very limited total population growth of 0.5% from 2006 with this comparing to 5% population growth in the Wellington region over the same time period. It is further identified that the *"city will experience population loss over the next 20 years"* without intervention of some sort.
21. It is recognised that an ageing population will be a growth sector in the Hutt with the number of over-65 year olds increasing to outnumber children by 2032. Currently children outnumber over 65 year olds 2:1. Associated with the ageing population is a forecast increase in one and two person households with 62% of households forecast to be single or two person households increasing from 53% currently. The ageing population will play a key role in shaping new housing in Hutt City over the next 20 years.
22. The Strategy goes on to further state that *"providing for retirement housing (in any form) is important, not only because it provides an alternative, cost effective and socially attractive living option for many older households, but because they can free up existing larger houses for families. To place this in perspective, 1,000 homes or units for retirees would free up a sufficient number of homes to accommodate the equivalent of four years of housing and population growth. The ageing population means a big shift toward one and two person households and a fall in average household size from around 2.7 people per home today to around 2.4 in 2031"*²
23. The Strategy also identifies that *"substantially more purpose built retirement village housing also needs to be provided for in the city. It is estimated that as much as 30% of households with a member 70 years of age or more will choose to live in a retirement village given the*

² Urban Growth Strategy 2012-2032, Hutt City Council, March 2014, page 32

option. This presents a particular challenge for Hutt City; the city has a shortage of land for development and most retirement village require a large amount of land (usually a minimum of one hectare) close to amenities. Because of this, our research indicates that the city already has unmet demand for between 5-10 retirement villages (or around 1,000 retirement village units) and will face difficulty meeting expected demand growth for another 5-10 villages over the next 20 years".³

24. This percentage of the population living in a retirement village is called the penetration rate. Our analysis indicates our catchment area at Lower Hutt City, shows a current penetration rate of approximately 8.8% of people aged over 75 live in a retirement village. This measure is generally taken from a 5-10km radius from the site as that is where the majority of residents come from.
25. The above compares to a national penetration rate of 12.4%. By way of examples, the Kapiti Coast has a penetration rate of 30%, Nelson 21% and Tauranga 28%.
26. This penetration rate is projected to markedly reduce over the next 5-10 years as the aged population demographic starts to grow and will become a significant issue for the surrounding population.
27. This is not only concerning for the general population who are looking to buy homes in a market with an increasingly short supply, but it is also particularly concerning for the aged population who are looking for appropriate housing and support. Many elderly still occupy three and four bedroom homes, which they struggle to maintain.

The Circumstances which Lead People to Move to Retirement Villages

28. As mentioned earlier, the 'ageing in place' strategy aims to provide home support services for older people living in their own homes as a way of decreasing the need for institutionalised care. However, even with this support, elderly people living in their own homes can lack social interaction and feel isolated, especially if they are unable to drive. Many also struggle to keep up with the maintenance and repair needs of their properties and are reluctant to call on family members to provide the support they require. Moving to a retirement village can provide the solution facing this situation.

³ Op cit, page 32

29. Many older people also make the decision to move into a retirement village due to an event or change in circumstances which causes them to reconsider their living environment. This might be deteriorating health, onset of fragility, loss of mobility including the ability to drive, or the death of a partner.

Summerset's Response to the Needs of the Ageing Population

30. Summerset develops and operates retirement villages with a focus on providing residents with a continuum of care by developing villages which contain both independent and assisted living units and care facilities for those who need more support. Summerset's villages provide quality, purpose-built retirement village living and aged care services with communal and recreational facilities at the heart of each village.
31. Summerset's retirement villages typically include around 200 units over a site area of 3-6 hectares. Although the area is relatively large, given the significant number of units that our sites accommodate, they provide a medium density living environment, particularly when compared with stand-alone houses on individual sites. For a 200 unit retirement village with 49 bed aged care facility, around 25 hectares of land would be required to house the same number of retirees if they were to remain on traditional quarter acre sections.
32. Despite the medium density provided by Summerset's retirement villages, the villages do not place the same level of demand on various elements of public infrastructure when compared to an average residential household unit. This is in part due to the lower household occupancy rates of retirement villages (the average unit occupancy rate in a Summerset retirement village is 1.3 persons), the largely passive lifestyle of the village residents and the majority of community services being provided on site. For instance, Summerset villages provide facilities such as libraries, social community areas, cafes, recreational areas (e.g. bowling greens, swimming pools and petanque areas) and hairdressing salons. The effect of providing these facilities on site is that there is less of a need for residents to travel beyond the village to enjoy community activities or amenities.

Resident's Views of Summerset Villages and the Lifestyle Offered

33. Summerset understands that making the decision to move into a retirement village is one of the biggest decisions that a person can make in their lifetime. The aim therefore is to ensure that residents are highly satisfied with the services and facilities offered by Summerset's villages. Regular resident satisfaction surveys are undertaken to gauge satisfaction levels

amongst residents about the level of services and facilities provided in the villages. The results of these surveys are extremely important to Summerset.

34. The results of the latest 2017 survey showed that overall satisfaction across residents at all of Summerset's villages was excellent at 96.6% satisfaction rating, with each village surveyed at 90% or higher.

Summerset's Development Model

35. The majority of prospective retirement village residents who come to visit established Summerset villages will have been to at least three or four other villages to compare the services and facilities on offer. They have an expectation of what retirement villages should provide and are increasingly pushing providers to be more innovative and broad in their offering.
36. As a result, Summerset's development model is based on creating vibrant villages with a strong sense of community. This is done by developing modern and attractive village centres with recreation facilities such resident bar, cafe and lounge areas, cinema, exercise rooms, all weather bowling greens, swimming pools and spas, communal vegetable gardens, 'blokes' sheds, craft and hobbies rooms, libraries, and more.
37. Within its villages, Summerset employs activities coordinators who specialise in developing interesting recreation and excursion programmes for residents. The focus is on ensuring the years they spend at a Summerset village are among the best years of their lives.
38. Summerset was founded on the belief that older New Zealanders have earned the right to a high standard of living in a safe, secure and enjoyable environment. The focus is on providing residents with a full continuum of care – this means having the ability to support residents under almost any circumstance. As the resident's needs increase, either slowly or because of an event, Summerset is able to continually support them in an environment they have come to know. This is because our retirement villages provide a wide variety of independent and supported living options, from fully independent units through to rest home and hospital level care. The continuum of care model is part of a recent evolution of the retirement village model.
39. Unlike a typical residential development, Summerset does not on-sell a development once it is constructed. Instead, we maintain control over our developments and ensure that buildings,

landscaping and all other aspects of on-site amenity are properly maintained and, therefore, there is consistent and co-ordinated management of the entire site for the life of the development.

40. Many prospective retirement village residents are attracted to Summerset's villages because they offer rest home and hospital level care. People are aware that their circumstances could change and they want to know the support is there if and when they need it. They like to feel they are choosing the place they will receive care and support in their final years. They don't want to be a burden on their families or be dependent on them to make such vital decisions on their behalf. For couples this means when one spouse requires support, they are not moved across a city to an empty care bed. For many, separation from someone who they have lived with for 60 or 70 years is unbearable. Summerset works to make that situation less devastating by providing care either in a care apartment that is certified by the District Health Board to provide rest home level care, and where their husband and wife can live too; or they are minutes' walk from their villa at the village care centre.
41. Summerset's retirement villages are also purpose-built to meet the needs of our residents from the time that they enter the village through to the future as their needs change. This innovative approach to building design resulted in Summerset being the first retirement village operator to be independently approved as meeting the Lifemark™ for Retirement Villages Design Standards. Lifemark™ is an independent seal of approval awarded by Lifetime Design, an independent, not-for-profit organisation established in 2006 to advocate design standards to improve the state of NZ housing, providing design solutions for the ageing population. The Lifemark™ is awarded to homes that have been designed and built to achieve specific quality design standards which make them easy and safe for people to continue living in as their needs change, and as they age.
42. The age of our residents varies across villages depending on the particular village and the offering within it. The average age of entry into Summerset's village is currently 81. The average age of Summerset's residents is 83. The average unit occupancy in our villages is 1.3 persons per unit.
43. Given the high age of entry of residents in Summerset villages, most residents lead a relatively 'passive' lifestyle with a resulting low use of community infrastructure, such as public parks and reserves. This is also in part due to the vast range of social and community facilities

provided on site (as identified above) that reduces the need for residents to travel beyond the village to enjoy community activities or amenities.

44. Further, within three to four years of entry to a village, many residents cease driving and their general physical mobility decreases.

Conclusion

45. Retirement villages are an important aspect of the mixture of housing options which should be planned and provided for by statutory authorities, and in Summerset's estimation are likely to increase in their use and importance to the Lower Hutt community.
46. Summerset believes that the Boulcott retirement village proposal will provide a much needed retirement village facility for Hutt City residents.
47. Specialist retirement housing, such as the proposed Summerset retirement village at Boulcott, will not only assist to provide housing that is custom built to take into account the needs of older residents, but it can play an important role in the achievement of both positive social and economic outcomes for the community. The wellbeing of residents is enhanced through the opportunity for increased companionship afforded by the village community, a simplified living style, availability of recreation and leisure amenities, and access to health support services.
48. The physical design of Summerset's retirement villages, the aged care health and medical services provided, and the range of social facilities and amenities offered in them are important factors in their operation and, in turn, contribute positively to the communities in which they are located.