

AGED CARE'S NEXT PHASE OF GROWTH —2015 ACAR RESULTS

The latest round of aged care allocations will kick start the next phase of development in the sector, while a 55% increase in the number of high care home packages was also granted, highlighting government intention for residents to 'age in place' at home.

In March 2016, the 2015 Aged Care Approvals Round (ACAR) results were announced, paving the way for the next phase of growth and development within the sector. In total, 17,385 new aged care places were granted nationally in the 2015 ACAR, 10,940 of which were for provisional residential care beds and 6,445 places for home care. Estimated to be worth approximately \$910.7 million, the allocations allow providers (both prospective and existing) access to Government funded aged care places for both residential and home care. At the same time, \$67 million in capital grants has been allocated to establish new services and upgrade existing facilities.

With Australia's ageing population expected to become more pronounced over the next decade and beyond, the aged care sector has become a key focus for providers, particularly from the private sector with a number of companies expanding their portfolios through acquisitions, developments and partnerships with other providers. Recent examples of this includes Japara Healthcare's acquisition of the Profke Group, which facilitated Japara's entry into Queensland while Opal Aged Care's

recent purchase of 191 aged care beds from the St Ives Group highlights the strong acquisition nature of for-profit providers. With around a third of persons aged 75+ requiring assistance with core activities, investment in the sector is expected to gain further momentum over the coming years.

Residential Care

In terms of residential care, approximately 62% of allocated provisional bed licenses were for the development of new facilities, while the balance (38%) was granted to expand existing establishments. Qld represented the bulk of the residential allocations at 29% (or 3,120 places), followed by Vic (3,080 places) and NSW (2,875 places). The major winners for residential care were for-profit providers with notable beneficiaries including Bupa (925 beds) and Regis Aged Care (844 beds).

Despite not-for profit providers accounting for 56% of current residential care beds across Australia, the 2015 ACAR shows a clear skew towards for-profit providers with the major private and

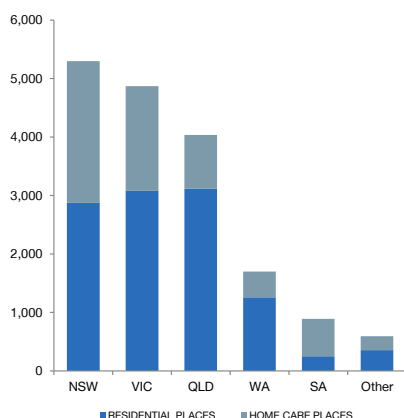
public operators accounting for 9 out of the top 10 largest residential care allocations for the year (see Figure 2).

Home Care

In response to consumer demand for high care services at home, the 2015 ACAR home care allocations allowed for a greater provision of high care places with 5,995 packages being level 3 or level 4 (see back page for definition), representing an increase of 55% from the 2014 ACAR allocations (see Figure 3). Of the packages granted, 65% were located in either NSW or Vic at 2,424 and 1,789 places respectively (see Figure 1).

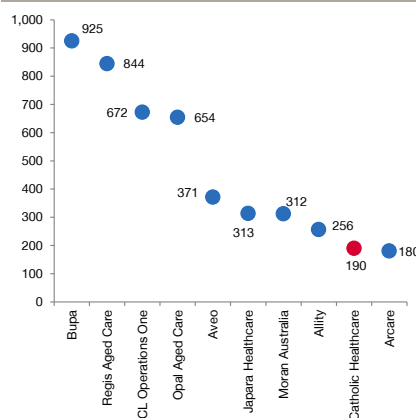
With the 2015-16 Federal Budget announcing large changes to the home care model with funding being attached to the individual rather than the provider, from February 2017, people requiring care will be able to choose who provides their care. In turn, the winners from the latest ACAR home care allocations including Feros Care, UnitingCare NSW/ACT and HammondCare will have a short term opportunity to capitalise on demand before a more competitive and consumer dictated environment in 2017.

FIGURE 1
2015 ACAR Results by State
Residential and Home Care Places



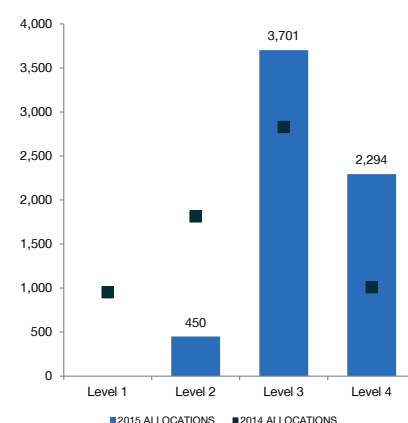
Source: ACAR—DoH, Knight Frank Research

FIGURE 2
Largest 2015 ACAR Bed Allocations
Residential care, by provider



Source: ACAR—DoH, Knight Frank Research
Note—red denotes not-for profit/charity providers

FIGURE 3
2015 ACAR Home Care Allocations
By Level



Source: ACAR—DoH, Knight Frank Research
Note—See back page for definitions



While these allocations will go some way to alleviating some demand led pressure on the industry, the fact remains that there is a severe shortage of both residential and home care places available to older residents. In regards to residential care, the Federal Government received 38,859 applications, more than double the amount received in 2014. This meant that for every four applications received, only one was given an allocation.

Similarly, with a government focus on prioritising home care packages, enabling older residents to 'age in place', demand for 2015 ACAR home care allocations was significant with 126,808 applications received for just 6,445 places (20 applications received for every allocation). Consequently, this highlights a large mismatch between supply and demand for both residential places and home care. With Australia's ageing population only going to gain momentum, supply shortages will become more pronounced over the coming decade.

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For more information or for advice on any other aspect of the Australian property market including alternative asset classes, such as student accommodation, serviced apartments or hotels, please contact Matt Whitby, Paul Savitz or Luke Crawford.

Home Care Package Definitions:

- Level 1: to support people with basic care needs.
- Level 2: to support people with low level care needs.
- Level 3: to support people with intermediate care needs.
- Level 4: to support people with high care needs.

Note—these packages above replaced the previous home care package system of Community Aged Care Packages (CACPs), Extended Aged Care at Home (EACH) packages and Extended Aged Care at Home Dementia (EACHD) packages.

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