

Arrowtown Lifestyle Retirement Village

Development Overview – October 15

Background

A Joint Venture has been established between the Anderson/Armstrong families and the Monk family of Arrowtown to develop, own and operate a retirement village and aged care facility on 12 hectares of land on McDonnell Rd in Arrowtown.

The Joint Venture has been formed to bring together local land owners (Monk family) with experienced retirement village developers and operators (Anderson/Armstrong families).

Ron Anderson and Aaron Armstrong have worked together developing and operating retirement villages throughout New Zealand for the past 17 years. Most recently they have developed the highly successful Aspiring Lifestyle Retirement Village in Wanaka. Over 100 villas have been sold at the Aspiring Village demonstrating the strong demand for this type of lifestyle in the Queenstown Lakes District.

The People Involved

- **Anderson Family** – Ron Anderson and his family are local Otago people. Ron has been building and running retirement villages throughout New Zealand for the past 17 years. Ron's son Richard and his wife Jennie live in Wanaka and have managed the sales at the Aspiring Lifestyle Retirement Village in Wanaka since 2010.
- **Monk Family** – Roger Monk and his family own the land proposed for the retirement village. The Monks are a well-known local family and are passionate about the community.
- **Aaron Armstrong** – Aaron has worked on the development of retirement villages throughout New Zealand for the past 17 years. He is Managing Director of the Aspiring Lifestyle Retirement Village in Wanaka.

Proposed Village

The proposed Arrowtown Lifestyle Village will roundly consist of:-

- **90-120 villas** – All single level dwellings to a maximum height of 6m built in a range of configurations from 2 bed affordable dwellings to 3 bedroom luxury villas.
- **40-55 Apartments** – The apartments will be constructed to the rear of the site as two story buildings with internal access garages. The apartments are yet to be fully designed but will be in keeping with the Arrowtown & Millbrook style of architecture with sloping alpine styled gabled roof features & feature chimney's to a maximum height of 9m.

- **A 100 bed Aged Care Facility** offering rest home, hospital and dementia level care is proposed to be developed again to the rear of the site as a two story winged care facility overlooking feature gardens & internal courtyards. Again the detailed design is yet to be fully developed, however, the intention is that the building exterior would reflect the traditional Arrowtown architecture with sloping alpine roof lines and stone features. The maximum height of the care centre will be 10m.
- **A Community Facility** including dining / café, lounges, library, swimming pool, gym and bowling green is also proposed to be developed overlooking landscaped open spaces at the juncture between the villas and care facility. This building will be single story to a maximum height of 8m and will be styled in the traditional Wakatipu basin homestead architecture.
- Extensive gardens and landscaped areas all in keeping with the rich rural lifestyle Arrowtown tradition.

Like most retirement villages in New Zealand occupants will purchase an "Occupation Right Agreement" which provides them with a right to occupy their chosen villa or apartment for the rest of their lives or until they need a higher level of care and move into the aged care facility. The key advantage of this form of tenure is that the village owner is able to set the standard and vision for the village. There is no subdivision of the underlying village asset and no subsequent sell down to downstream owners who potentially may develop the residences to a different and / or lesser standard. The village owner therefore develops the village to a consistent standard, retains ownership long term and is ultimately responsible for maintaining all village assets & landscape features for the long term interest of the resident community. This is a key difference to other residential development models, one that enables a more reliable and consistent tenure over the longer term.

A range of villas and apartments will be offered in the village. There will be two and three bedroom villas and one, two and three bedroom apartments.

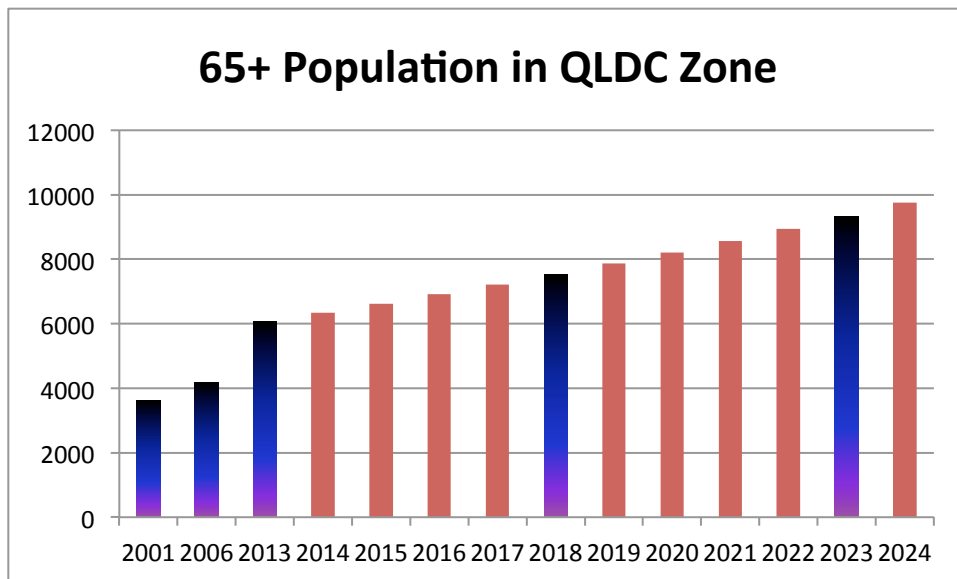
At least 20% of the villas and apartments will be set at affordable price points relative to the local real estate market. This is common for retirement village units which typically sell for around 15% below local house prices so that residents are able to free up some capital from the sale of their homes when they move into the village.

The need for a Retirement Village in the Wakatipu Basin

2013 CENSUS AND GROWTH PROJECTIONS:

The 65+ population has grown significantly in recent years, and this growth is projected to continue at an average of 4.4% per annum for the next 10 years. By 2024 there will be 9,800 people aged 65 and over in this area, compared to 6,300 today.

The 65+ segment of the population will make up approximately 23% of all people in the area. (The blue columns in the table below relate to Census years.)



CURRENT OCCUPANCY IN RETIREMENT VILLAGES/CARE BEDS IN THE AREA:

Today, there are approximately 150 people living in independent accommodation in retirement villages (the vast majority of them at Aspiring Lifestyle Retirement Village in Wanaka) and 180 in Care Beds around the community. This is a significant increase in independent living penetration – but it is still well below the New Zealand average – there is still significant potential for growth. There must be more and more people having to leave the area to find care – with penetration levels remaining significantly below the average NZ levels.

	2009	2014	NZ Average
Independent Living Penetration	0.5%	2.4%	5%
Care Bed Penetration	2.3%	2.8%	5-6%

PROJECTED MARKET GROWTH SCENARIOS:

The following growth scenarios have been modelled.

- Conservative:
 - Independent: 5% growth/annum in penetration (growing from 2.4% today to 3.9% in 2024 – still below the national average today)
 - Residential Care: 5% growth in residential care (from 2.8% to 4.6%)
- Mid-range:
 - Independent: 15% growth per annum early on to 5.5% by 2020 but remaining constant then
 - Care: 10% growth per annum early on to 5.5% by 2021 and remaining constant then

- Optimistic:
 - Independent: 15% growth per annum right through – growing to 9.6% by 2024 (same level as Tauranga now)
 - Care: 10% growth per annum right through – growing to 7.6% by 2024

The table below outlines the cumulative under/oversupply in the market based on the current villages only – and no further development plans. Based on all three scenarios there are considerable shortages in both independent living and residential care. The Mid-Range scenario seems the most likely.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Independent Living											
Conservative	-0	-10	-22	-34	-48	-63	-80	-100	-121	-144	-170
Mid-Range	-3	-25	-52	-84	-124	-171	-229	-244	-260	-277	-294
Optimistic	-3	-25	-52	-84	-124	-171	-229	-299	-382	-483	-603
Residential Care											
Conservative	-3	-20	-39	-60	-83	-108	-135	-165	-198	-234	-274
Mid-Range	-6	-33	-63	-99	-139	-185	-239	-300	-321	-343	-365
Optimistic	-6	-33	-63	-99	-139	-185	-239	-300	-370	-451	-544

CONCLUSION - There is a clear & pressing need to build a lifestyle retirement village with associated aged care centre within the Queenstown Lakes District, specifically the Arrowtown area where there is a high proportion of people aged in the 65+ age bracket.

Why this site?

5 years have been spent investigating potential sites for a retirement village around Queenstown. The McDonnell Rd site is the only one we've found that we believe could accommodate a successful retirement village.

The key attributes of this site are;

- Size – the site is 12 ha and can accommodate a village of 90-120 villas, 40-55 apartments & a care facility and to be economically viable retirement villages need to be of a certain scale. Smaller sites which could only accommodate smaller numbers of units will not be economically viable.
- Large enough to allow villas – our experience tells us that a large portion of the local retiree market prefer to live in villas. This is why we have planned a 2:1 ratio of villas to apartments. We do not believe that an apartment only style retirement village which potentially might fit a smaller site will be successful because it does not deliver what a significant portion of the market wants – villas.
- Flat land- a retirement village needs to be flat for easy movement of the residents around the village and for level access to homes.
- Close to an existing community – the residents of a retirement village want to remain connected with their community. They do not want to feel isolated so a successful

village needs to be situated relatively close to an existing community and all the associated services – shops, bowling clubs etc.

- Sun – our experience from Wanaka with Aspiring Village tells us that a sunny location is one of the single most important considerations for retirees when moving to a retirement village. The north facing aspect of the Monks land holding ideally suits this necessity.

The McDonnell Rd site is the only location we have found that meets all of the above criteria.

Advantages of a Retirement Village in the Wakatipu Basin

- At the moment Arrowtown and Queenstown residents who want to move to a retirement village or need care currently have to move out of the district. This village will allow people to remain where they want to be - near their families and where they have always lived.
- Demand for the village is predominantly local & will free up housing in existing urban areas for younger families and / or greater intensification within existing urban boundaries. Nearly all residents of retirement villages have an existing home to sell. This project will have a flow on affect in freeing up homes which will assist in easing QLDC's housing supply issues. This is supported by the overwhelming support for the village identified from the recent community consultation programme undertaken by the village development team.
- The owners of the village retain long term ownership (residents purchase a license to occupy). This is not a short-term development project. The village owner retains control of and maintains landscaping and architecture.
- The village provides significant recreational amenities and places no pressure on existing community amenities.
- The owners are experienced and have a proven track record with Aspiring Lifestyle Retirement Village and other villages around the country.
- The owners are local people and care about the community.
- There is demand for a retirement village now with demand forecast to grow significantly over the coming years as the population ages.
- The project will cost \$105m and will provide significant employment opportunities both in construction and in the ongoing running of the village and care facility.
- The people of Arrowtown and Queenstown want a retirement village. We have strong support within the community.



Timing of the Village

As is evident from this application, public interest and market demand for the Arrowtown Lifestyle Retirement Village is very strong.

Subject to a successful SHA application process we expect to advance immediately into preparation & lodgement of the necessary resource consents to develop the village with the view to having all consents in place by mid 2016. Stage 1 of the development will involve delivery of the initial community facility and 12 -15 villas constructed close to the entrance with Stage 1 completed & ready for occupation by late summer 2017. Given the current high levels of interest we anticipate follow on stages to advance immediately within the order of 15 – 20 villas and / or apartments completed annually as demand dictates until completion of the village.

We also anticipate demand for the care facility to be strong with the current programmed expectation being to develop the care centre in 2-3 stages, commencing with stage 1, starting in 2018 with completion planned for late 2019. Later stages will be developed as market demand dictates the need for more care & dementia beds in the Wakatipu Basin.

Report prepared by Aaron Armstrong

Founder - Arrowtown Retirement Village