Australian and New Zealand Banking Group Limited

16 August 2019

The Hon. Kevin John Anderson, MP
Minster for Better Regulation and Innovation
13 Fitzroy Street
Tamworth NSW 2340

Dear Minister Anderson,

Subject: Retirement villages – exit entitlements and recurrent charges cap

Thank you for the opportunity to provide feedback to the discussion paper: "Retirement villages – exit entitlements and recurrent charges cap".

ANZ supports reforms to the legislative framework that provide all stakeholders, including consumers and operators, the ability to make transparent long term decisions regarding investment and lifestyle choices.

ANZ's purpose is: "to shape a world where people and communities thrive". A key platform of our purpose is defined as: "Improving the availability of suitable and affordable housing options for all Australians" and amongst other objectives to "increase the availability of housing across all life stages".

Reflecting that purpose, the health and social infrastructure sector is an important focus for ANZ, with a specialist team of bankers, known as ANZ Health, supporting the sector consistently over the past 15 years with $10 Billion in commitments across our large corporate and institutional customers. In the Retirement Village sector we have commitments of $1.4 Billion. We also provide further support to the broader healthcare sectors (such as GPs and Specialists) via our Australia Division of the bank.

As one of the largest and consistent capital providers to the Retirement Village sector, ANZ supports a buyback policy in NSW, but believe the thresholds and timing of such require careful consideration. We believe a workable solution can be reached that delivers consumers with improved protections and promotes confidence in the sector, which in turn will drive continued investment to meet the needs of future retirees.

We would encourage engagement with important stakeholders, particularly related to investment in the sector such as the Property Council of Australia, on the proposed reforms. We suggest that it is important to consider how the supply and pricing of services and retirement village facilities may be influenced by reforms.

- Operators of existing villages, particularly those of smaller scale, may face a liquidity event if a number of buybacks were to become payable at one time. Clearly, the government and all stakeholders would wish to minimise the risks associated with such a liquidity event, particularly to remaining residents in an affected village. We suggest it would be useful to consider how such a scenario would be dealt with under possible reforms.
- An increase in the capital required, for example to manage financial liquidity risk, may alter the required return for new investment in the sector, which in turn may affect the future supply or pricing of units. Accordingly, the benefit of the buyback proposal to existing residents must be balanced against the impact on the supply of new stock that would affect prospective residents.

- It would also be valuable to consider the possible effect of a requirement for increased capital on the structure of the industry. The structure of the industry may be affected over time by an increased capital requirement.
- Financing of the sector may also be influenced by changes in capital or liquidity requirements. This is because new requirements may potentially affect the balance between return and risk associated with particular providers, and because of the direct effect on the mix and level of financing to be provided.
- A particular area of interest is the process through which a buyback obligation would be managed in the scenario a property was not sold within the relevant period. This may be affected by the potential for the sale process to be affected by a resident's discretion to set prices, potentially at a level that does not reflect market clearing rates.
- A final area of interest is the potential requirement for recurrent charges to cease after 42 days. Costs incurred by the provider may continue beyond this period or until the property is sold; for example, strata fees, council rates, and service charges. Accordingly, the benefit to departed residents must be balanced against the impact on operators and remaining residents (i.e. where this cost will likely be absorbed).

I wish to reiterate that we believe that policy reforms to meet the Government objectives and the needs of consumers and other stakeholders can be developed. We would welcome the opportunity to discuss this submission with you in more detail and can be contacted on

Yours sincerely,

Sam Morris
Head of ANZ Health, Corporate & Institutional
Australia and New Zealand Bank Group