M3 PROPERTY

SPECIALIST
INDEPENDENT
VALUATION

RETIREMENT LIVING AND AGED CARE PROPERTY SECTOR INSIGHT

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INTRODUCTION

This report provides an overview of Australia's retirement living and aged care property sector outlining the demographic and geographic drivers shaping demand. It summarises the funding and regulatory environment, key market trends and operational pressures, the current landscape of sector participants, and recent investment activity. The aim is to highlight how rapid population ageing, affordability dynamics and constrained new supply are influencing occupancy, pricing and development feasibility across the market.

TYPES OF RETIREMENT LIVING FACILITIES

Australia's retirement living sector includes Retirement Villages and Land Lease Communities.

Retirement Villages

A retirement village is a purpose-built residential housing community typically for residents 65 years and above who want to live independently but also have access to a range of shared facilities, support services, social activities, transport and community amenities.

Often, retirement villages include integrated access to in-home care so residents are able to stay in the village for longer as they age and their care requirements increase. Retirement villages form the core "independent living" product targeted at older Australians who want to downsize while maintaining autonomy.

Independent Living Units (ILUs) are available through a range of contract and tenure models, most commonly licence/lease arrangements and retirement rentals. Under a typical licence/lease structure, a resident pays an upfront ingoing contribution or price for the unit plus charges for village operating costs. The operator is then entitled to receive a deferred management fee (DMF) which is based on a percentage of the entry or exit entitlement based on length of tenure / contract structure.

ILUs also tend to trade at a discount (often cited at 30%–50%) to nearby housing, reinforcing their role as an affordability and lifestyle option for downsizers. Development formats are evolving, with a large share of new villages incorporating some degree of vertical living, enabling infill locations closer to hospitals, public transport, cultural amenities and family networks. Market conditions have improved in recent years, with occupancy of retirement villages now above pre COVID levels. There is also around 2,000–2,500 ILUs per annum of new supply being generated for retirement villages, supporting further occupancy gains; however, it must be noted that this new supply is far short of demand.

Land Lease Communities

Land lease communities represent a distinct model in which residents typically own the dwelling—often a manufactured home—while leasing the underlying land from an operator in exchange for an ongoing site fee; these communities are commonly positioned as over 50s lifestyle or affordable downsizer options and are regulated under relevant state frameworks covering residential leases, rent increases and resident rights. As of June 2026, there are around 900 registered Land Lease Communities operating across Australia comprising about 44,000 purpose-built homes.

Land Lease Communities are considered an affordable accommodation in comparison to traditional retirement villages or standard residential housing. They have the added advantage for eligible pensioners who may be entitled to Rent Assistance from the Commonwealth Government. As such, the demand for units at the retail end remains strong, in particular in times of economic uncertainty.

Strengths and Weaknesses – LLC v Retirement Living Investments

There are strengths and weaknesses investing in Retirement Village versus a Land Lease Community, as outlined in the tables below:

	Land Lease Communities	Retirement Living
Revenue Risk Profile	• Provides an annuity stream of indexed site rental income which is viewed by the market as having a low level of risk.	• DMF revenue is difficult to predict, particularly for smaller villages and will change depending on demographics of the village. Typically viewed as having a high risk profile. • For newly built villages annual units rollovers or DMF revenue can take several years to reach maximum levels.
Operator Expenses	• Typically responsibility for village operational and capital fund expenses are borne by the operator and need to be deducted from the site rental revenue.	• Village residents pay a monthly maintenance fee to cover village operations which may also include a sinking fund for long term maintenance / replacements.
Revenue Growth	• Revenue growth is via a minimum fixed percentage (typically 3.5%) or CPI annual reviews under the site agreements, although can be affected by unexpected increases in operating expenses or capital replacement issues.	• For established villages growth in DMF revenue is reflective of the prevailing residential housing market and residents ability to pay based on proceeds from their existing dwelling. • Village owners benefit significantly during periods of high market growth and conversely, they can be impacted during periods of low growth including requirement to payout the resident if the dwelling is not sold.
Market & Demand	• Wider market appeal at the affordable level as eligible residents (pensioners) are entitled to claim rent assistance which can offset site rental payments significantly. • Villages tend to attract a younger seniors living profile and are not dependent on village demographics. • Villages can offer a more affordable housing product. • Village developments tend be more suited for the coastal or regional market where land values are lower.	• Village operators tend to target an older resident cohort. DMF revenue is influenced by village demographics and to maximise unit rollovers, operators will typically target a more mature entry age between 72 and 76 years. • Developments in established metropolitan or high land value areas can achieve adequate returns with the initial sale of units reflecting the land, infrastructure and buildings components.

TYPES OF RESIDENTIAL AGED CARE FACILITIES

Residential Aged Care Facilities

Residential aged care facilities (often referred to as nursing homes) provide 24/7 accommodation and personal and clinical care for older people who can no longer be supported safely at home, and the sector is tightly regulated and substantially federal government funded. Nationally, more than 3,100 approved providers deliver care through around 9,000 services across residential care, home care and home support. Between 2017 and 2024, residential care capacity increased by around 11% (from roughly 201,000 to 224,000 places), which is a shortfall compared to the 31% growth of the over 65 population during the same period. The broader aged care property market comprises approximately 2,500 facilities.

Service provision is dominated by not for profit operators followed by private operators, with government operators accounting for the smallest share of residential care services. Importantly, the Australian Government manages the supply of subsidised residential and flexible care places via national planning settings linked to the population aged 70+, aiming to expand capacity broadly in line with demographic growth; in contrast, home support outlets and home care services are not allocated a fixed number of government-funded places in the same way.

Assisted Living

Assisted living facilities sit between pure independent living and full residential aged care, typically offering a housing-first model with added hospitality, wellbeing and scalable support services—often in apartment-style or campus formats—and are designed for older residents who want community, convenience and a pathway to higher care if needed.

DEMOGRAPHICS & LOCATIONS OF RETIREMENT FACILITIES

Demographic trends show that the proportion of the population over the age of 75 is projected to almost triple by 2050, while the over-65 population is projected to grow from 4.75 million to 7.0 million by 2040. Looking further ahead, by 2066 it is projected that there will be about 4.5 million Australians between the ages of 65 and 75, while the number of people between the ages of 75 and 84 will represent around a third of the older population, or around 3.5 million people. The number of people over the age of 85 will account for one in five older people. As the size of the older population increases in coming decades, demand for retirement facilities will increase significantly.

Resident profiles in retirement facilities also support the trend of “ageing in place”. The average age of entry into a retirement village is 75, and typical tenure averages nine years. With the average age of current residents sitting at 81, a growing number of retirement facilities (currently around 63%) offer home care services or arrange such services with suitable providers.

The average price for an Independent Living Unit in a Retirement Village or a house within a Land Lease Community is often significantly lower than surrounding housing. For example, the 2023 PwC-Property Council Retirement Census reports that a two-bedroom unit in a Melbourne retirement village averages 48% cheaper than houses in the same postcode, with ILUs in the broader metropolitan area averaging $656,231 versus a median house price of $1,259,270.

There is projected demand for up to 97,000 new units over the next two decades, however supply is currently limited to 2,000-2,500 units per year due to prolonged planning delays, complex regulatory environment, and increasing construction costs. As a result, there is uncertainty as to whether the supply needed to meet projected demand will be delivered, with approvals and commencements lagging behind demonstrated demand and demographic need due to high build costs and funding uncertainty.

81	68%	7M
Average Age of Retirement Village Residents.	Percentage of over 65 population living in metro areas.	Projected number of over 65 population by 2040.

RESIDENTIAL AGED CARE GOVERNMENT FUNDING

The Federal Government is the central driver of Australia's aged care sector. The Federal Government funds approved providers and allocates a set number of government-funded places for residential and flexible care through the Australian National Aged Care Classification (AN-ACC) funding model. For the 2026 financial year, the Federal Government increased aged care expenditure to $41.6 billion (an increase of 6.1% year on year), with $24 billion of this funding directed to residential care. The rest of the expenditure was directed to Home Care Packages and the Commonwealth Home Support Programme.

From November 2025, the Australian Government introduced Refundable Accommodation Deposit (RAD) retention, allowing providers to deduct 2% p.a. (capped at 10% over 5 years), meaning RADs are no longer fully refundable. Under the Aged Care Act 2024, this shifts RADs from a pure refundable funding source to a hybrid of capital and recurring income, improving provider sustainability and asset economics.

The 2026 Federal Budget is set to provide a further boost to the sector with the announcement of a $3.7 billion package which will include the delivery of 5,000 additional residential aged care beds each year. The package will include an injection of $1.1 billion to increase and restructure the accommodation supplement and introduce an additional payment into residential aged care facilities where more than 60% of the residents are low-means residents.

GOVT FUNDING: $41.6 BILLION FOR 2026 FINANCIAL YEAR

+6.1% YOY INCREASE

1. Lack of new supply/cost of construction	2. Increasing compliance and operational costs	3. Consolidation of number of operators within the industry

KEY TRENDS AND ISSUES AFFECTING THE RESIDENTIAL AGED CARE SECTOR

The demographic trends driving greater demand are coinciding with higher workforce costs and increased compliance demands. At the same time, construction costs, compliance costs and inflation are all increasing, resulting in replacement and new-build costs impacting the feasibility of such projects. In the first five months of 2026, the Middle East conflict impacted fuel prices and increased inflation further driving up construction costs. The increases in inflation in particular is likely to create delays in the commencement of new projects and inject a further degree of uncertainty into investment into the sector. All these factors combined are discouraging new development and limiting reinvestment in existing assets.

There is sufficient latent demand for new facilities that it is estimated it will take $56 billion in capital investment by 2050 to renew and expand residential aged care capacity to meet this demand.

While supply is lagging demand, a further issue facing the sector is increasing compliance and operational costs. Staffing requirements and governance expectations have increased, which adds to operating costs. While there have been reforms to the provision of funding to the sector via the Australian National Aged Care Classification funding model, this has also increased reporting and assurance burdens, thereby increasing operating costs.

The sector is becoming increasingly segmented, with the number of smaller operators consolidating and the expectations of the over 65 demographic changing as they look for lifestyle amenities as well as higher levels of care. Better-run and better-maintained facilities are finding it easier to attract residents and buyers, and to achieve stronger prices. Residents are paying closer attention to quality indicators such as Star Ratings, staffing levels and performance, the mix of accommodation payments, and the building's condition.

The number of operators declined by 0.9% between 2024 and 2025 and the number of residential aged care facilities declined by the same amount. This has contributed to a decline in bed vacancy rates, and this, combined with the lack of new supply, is putting pressure on available capacity. Despite fewer providers and facilities, the number of operational places actually increased slightly between 2024 and 2025 as operators activated extra beds within existing facilities.

FINANCIAL & KEY PLAYERS SUMMARY

The residential aged care property sector comprises a large number of small providers alongside a relatively concentrated group of larger operators.

There are 636 residential aged care providers. Of these, 46 providers (about 7.2% of all providers) each manage aged care homes with more than 1,000 places, and together they account for around 59.4% of all residential care places. As of June 2025, not-for-profit organisations operated the majority (60%) of aged care services nationally.

The financial performance of the sector has improved in the last few years, with the sector moving from a $1.7 billion loss in 2022/23 to $891 million profit in 2024/25. The turnaround in the sector's performance is due to healthy increases in revenue across the sector in recent years, a significant uplift in government funding, structural reforms to the government's funding model via the Australian National Aged Care Classification (AN-ACC) funding model, and the exit of a number of unprofitable and inefficient operators from the sector.

636

Aged Care Providers

$1.4B

Profit 2025/26

60%

Not-for-Profit Operators

TRANSACTIONS

Transaction activity in the residential aged care and retirement living sectors is largely characterised by major portfolio transactions and single-asset sales by smaller operators, rather than investment in new developments. The industry is also undergoing significant consolidation, whereby larger operators acquire an ownership interest in smaller companies and, in turn, their property portfolios.

Investment activity in the sectors improved over 2024 and 2025 compared with the preceding two years. Buyers are typically established large operators looking to add scale in metro areas or key regional hubs. Private capital and offshore investors are also active, but often prefer to invest alongside an operating partner rather than take on day to day management of facilities. Some institutional investors remain cautious on residential aged care facilities and instead tend to show stronger interest in retirement villages and land lease communities.

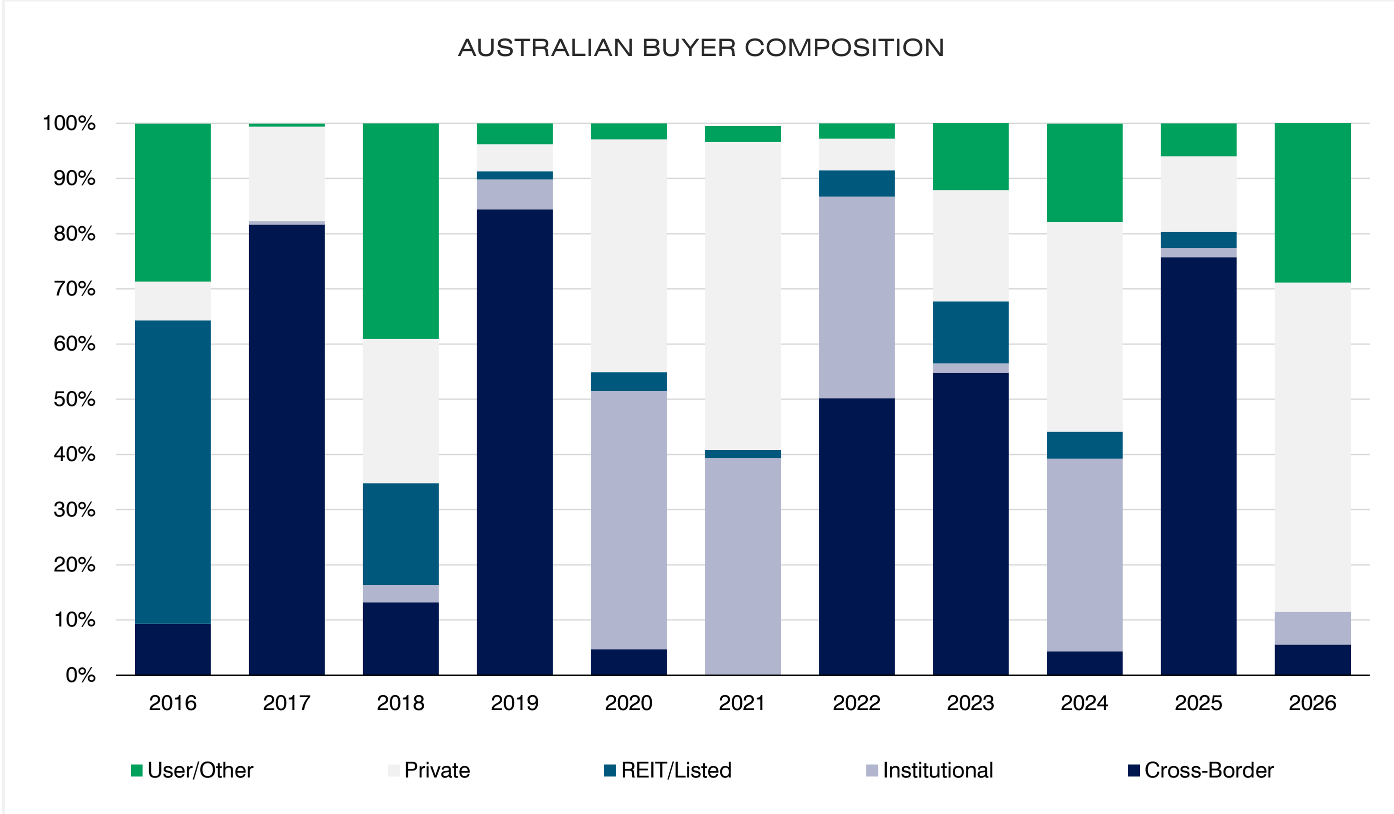
From discounted cash flow analysis of retirement village transactions over the previous 24 months, discount rates range between 12.75% and 16.00% which is in line with historic discount rates applicable, with prime villages reflecting rates in the order of 12.50%-14.00%, whilst secondary and regional villages have reflected 14.00%-16.50% discount rates.

Land lease community transactions have shown some firming in investment returns, however, are subjective to income levels, condition and the location of the village, with recent transactions reflecting yields of circa 5.00%-5.50% over the past 24 months.

Transactions for 'going concern' residential aged care facilities show yields typically falling within the 12.00% to 16.00% range, while freehold residential aged care properties have transacted in the 6.00% to 7.00% range.

In 2025, the aged care and retirement property sector recorded $5.29 billion in sales across 58 transactions. The retirement living sector also experienced major activity with the $3.85 billion sale of the Aveo retirement village portfolio from Brookfield Asset Management to The Living Company, which was the largest direct real estate transaction in Australian history. Around 15 transactions across both aged care facilities and retirement villages above $100 million were recorded during the year, primarily involving multi-asset portfolio acquisitions. So far in 2026, activity has been slower than in 2025, with $229.6 million recorded across 31 transactions, indicating a quieter market compared with 2025.

Over the past ten years, the majority of buyers of properties in the retirement living and aged care sector are either cross-border investors or institutional buyers, with private buyers making up the third largest group of buyers. For 2025, cross-border investors made up the largest group of buyers, whereas so far in 2026, private buyers have been the most active in the sector.



Source: Real Capital Analytics (RCA)

Note: RCA defines 'User/Other' as a Capital Type category capturing end-user or mission-driven buyers, comprising Corporate, Government, Non-Profit, Educational and Religious sub-types.

SUMMARY

Australia's retirement living and residential aged care market is large and growing, spanning retirement villages, residential aged care, assisted living and land lease communities. Demand is being driven by a rapidly ageing population, while supply is constrained by high construction costs, tighter regulation and rising workforce expenses.

Government remains central for residential aged care funding and planning settings (including AN ACC), and the sector is increasingly splitting in two: well run, high quality facilities attract stronger occupancy and pricing, while weaker assets are being sold or consolidated.

Investment activity improved in 2024 and remained active into 2025, led by established operators and supported by stabilising yields, but the feasibility of new development is still challenging given building cost pressures. Over the next few decades, demographic changes driven by Australia's ageing population will increase the sector's size and importance, creating significant investment opportunities for developers and investors.

Growth in retirement living is being driven by retirees looking for villages that offer lifestyle amenities and support ageing in place as care needs increase. Independent Living Units within retirement villages and houses within land lease communities are significantly cheaper than regular housing in the same location which means that the retirement living property sector can offer more affordable housing alternatives for older Australians.

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