

MEDIA RELEASE

Time for a major rethink on retirement and aged care assets *Stand-off between operators and investors leaves residents' interests last*

Sydney, 28 September 2010: Too many retirement and aged care operators have failed to make the shift to the new, post-GFC environment - and Australia's already run-down retirement infrastructure is suffering as a result.

So warned Scott Marinchek, Managing Director of Aviiid Third-age Living, a newly formed asset management and investment company specialising in accommodation, care and lifestyle services for 55-plus Australians.

"We have spent the past two years conducting an exhaustive analysis of the market and what we found are too many operators failing to stack-up in terms of valuations, reporting, compliance, governance and budget forecasts," said Mr Marinchek.

"With notable exceptions, current industry players are challenged by obsolete assets, 20-year-old business models, poor levels of residential satisfaction, compliance issues, inconsistent accounting standards, breaches of debt covenants from over-leveraging during the previous bull market ... and the list goes on," he said.

Mr Marinchek expressed particular concern that some operators are failing to demonstrate an alignment with their residents' long-term best interests and are instead focused on promoting their own - whether through developing their own land banks with scant regard for their suitability for retiring and elderly occupants, failing to upgrade facilities or not enabling ageing-in-place by providing adequate transitional facilities and community care services.

"The unfortunate truth is that ultimately it is the wave of soon-to-be-retired Australians that will suffer as a result of this poor performance, and with the reality of our ageing demographics this may well include the staggering 25% of the population that will be reaching retirement age over the next 50 years," he said.

Mr Marinchek went on to explain that many operators are clinging on to pre-GFC valuations and property growth forecasts - which even then were at all-time, unrealistic highs. Many are also over-leveraged and as a consequence lacking the funds to conduct even basic maintenance.

It's a state of affairs that he says largely explains the current stagnation of investment in the retirement and aged care asset sectors.

"Operators and potential investors are essentially at a stand-off," he said. "Despite some extraordinary long-term market fundamentals, when we do proper and detailed due diligence on some of these assets, it's crystal clear that by any reasonable measure the present value of risk-adjusted cash flows on which they are working is hopelessly inadequate to justify valuation expectations. It's all about realisable cash flow and not retrospective NTA."

"What it all comes down to is that, as an asset manager, if you pay too much you can't fulfil your obligations to investors or to residents. And the consequences for the industry as a whole are not good. For example, we previously deferred the launch of our Australia fund and the industry in general is at a stand-still," he said.



“This is despite the fact that we are at a significant inflection point, with a unique opportunity to generate compelling cash yields while building the nation we want to retire in. The industry needs to take its cue from some of its forward-thinking leaders to ensure not only long-term sustainability for residents and investors, but also a better quality of life and choice for what is rapidly becoming the largest segment of our population,” he said.

“In short, the Australian senior housing and care sectors are ripe for some meaningful competition that will force the development of better practice business models in which the interests of investors, residents and operators are more clearly and transparently aligned.”

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About Aviiid Third-age Living

Aviiid Third-age Living (A3L) is the research-driven investment manager of senior housing and aged care infrastructure within the Aviiid Group of companies established to bring a fresh and dedicated approach to meeting the needs and demands of the fastest growing segment of our population, those in the ‘over 55’ cohort or their ‘Third-age’ of living, their immediate families, financial advisors and Superannuation fund managers.

Since its formation, A3L has been undertaking extensive due diligence on Australian retirement living and aged-care assets, expanding its operating infrastructure, negotiating with lenders and educating its investors in preparation to launch the Aviiid A-CARES™ Fund No. 1, an unlisted 10-year closed-ended wholesale fund scheduled for launch by early 2011.

Aviiid Third-age Living takes its name from combining the word ‘avid’, with its connotations of enthusiasm, energy and commitment, with the term adapted from the French ‘troisième âge’, which embraces the concept of ‘lifelong learning, self-development and fulfilment’.

www.Aviiid.com

The Aviiid Foundation

The Aviiid Foundation is the charitable arm of the Aviiid Group. Its aim is to promote ‘age is not a factor’. It does so by supporting innovative and creative endeavours for Third-age Australians through contemporary culture and education. Its first major initiative, ‘Snap & Click’, was a series of digital photography workshops for over-55s run in conjunction with, Seniors Week NSW, Sydney’s Museum of Contemporary Art and the Australian Centre for Photography. The resulting exhibition is currently touring around NSW.

For further information, please contact:

Kaitlin Walsh

BlueChip Communication

T: 02 9018 8600 | M: 0405 334 938 | E: kaitlin@bluechipcommunication.com