

From: Andrea Russell [REDACTED]
Sent: Tuesday, 13 September 2016 11:44 AM
To: LSIC
Subject: Enquiry into Retirement Housing Sector - Retirement Village Exit Fees

RETIREMENT VILLAGE EXIT FEES

Why are such high fees imposed on a resident leaving a retirement village.

An Example of an Exit Fee calculation:

- 1 An exit fee is calculated on the **ingoing contribution** that accrues **daily** at a rate of **8% per annum** for the **first year** of residency and **3% per annum** during each subsequent year capped at a maximum of **35%**.
- 2 **Plus (or minus) 50% of any capital gain (or loss)** on your apartment or villa.
- 3 Less the cost to reinstate and refurbish your villa or apartment.
- 4 Less Monthly Maintenance Fees and Resident Charges for the period the apartment or villa is unoccupied and until a new resident commences a lease and occupies the apartment or villa.

A very simplistic example of what can happen:

Resident A purchased villa for \$400,000. Value of villa when resident A leaves is \$600,000. Resident has been in villa for exactly two years (for purposes of easy illustration and calculation). Resident B takes us residence 6 months after Resident A leaves. Resident A therefore has 6 months Maintenance and Resident Charges to pay which are \$500 per month.

Resident A purchased villa for		\$400,000	
Plus: Receives 50% of Capital Gain		100,000	
			\$500,000
Less: 8% for first year of residency	\$32,000		
3% for second year or residency	\$12,000	44,000	
Less: Cost to reinstate and refurbish villa		18,000	
Less: 6 months maintenance charges			
For villa being unoccupied.		3,000	\$ 65,000
Amount of Exit Fee payable to Resident A			\$435,000

The example gets worse the longer the resident is in the retirement village. For instance, four years would give a net value return of \$399,000 and so it would go on.

I simply do not understand how the Lessor in a Retirement Village environment can not feel some level of guilt in extraction such amounts of money from elderly people. It is not that the Lessor is providing any level of service to the residents as they pay for all their activities and ongoing maintenance and staff as a perusal of a Retirement Village Association financial reports will indicate. What is the ingoing contribution that they talk of? What does the Lessor do with all this money? It certainly isn't reinvested into the Retirement Village.

No apartments or villas are designated for pensioners unable to purchase an apartment or villa and no apartments or villas are designated for the any homeless folk.

Developers are building apartments which provide access and services to elderly people on a Strata Title basis, without these exorbitant exit fees. Surely because it is called a Retirement Village does not mean that elderly folk can be subjected to this financial loss.

Please, review the Loan Deed and Lease Arrangements associated with Retirement Villages and eliminate the 35% cap on ingoing contribution and the ability to take 50% capital gain.

Thank you.

Andrea Russell

