

# Social Infrastructure

## Integrating social and financial returns: a structural emergence

---

Ryan Banting  
General Manager  
Social Infrastructure

May 2022





# About Australian Unity





# Australian Unity at a glance



**Over 180 years'**  
delivering services in  
Health, Wealth & Care



**260,000** members &  
**700,000** customers;  
**over \$1.7bn** in revenue



Employs more than **7,000** people;  
**36<sup>th</sup> largest** private company in  
Australia



Delivers **over 3m** episodes  
of care per annum  
(in addition to residential communities)



**21** retirement communities  
(with **2,496** independent retirement units  
and **786** aged care beds)



**\$24.2bn** Assets & Funds  
under management  
(includes Advice & developments  
and associated debt facilities)



Commenced Childcare Fund  
providing **600** places with a pipeline  
of **\$78m**



Remedy treatments saved **50,000**  
hospital days & **\$37m** in healthcare  
costs in FY20



**\$8.2m** FY20 investment  
in Indigenous communities  
(via direct employment & contracting  
with suppliers)



**\$180m** of Specialist Disability Fund  
committed capital delivering **100**  
beds over 2 yrs



**21 years** investing through  
Healthcare Property Trust, **\$3.0bn**  
of assets



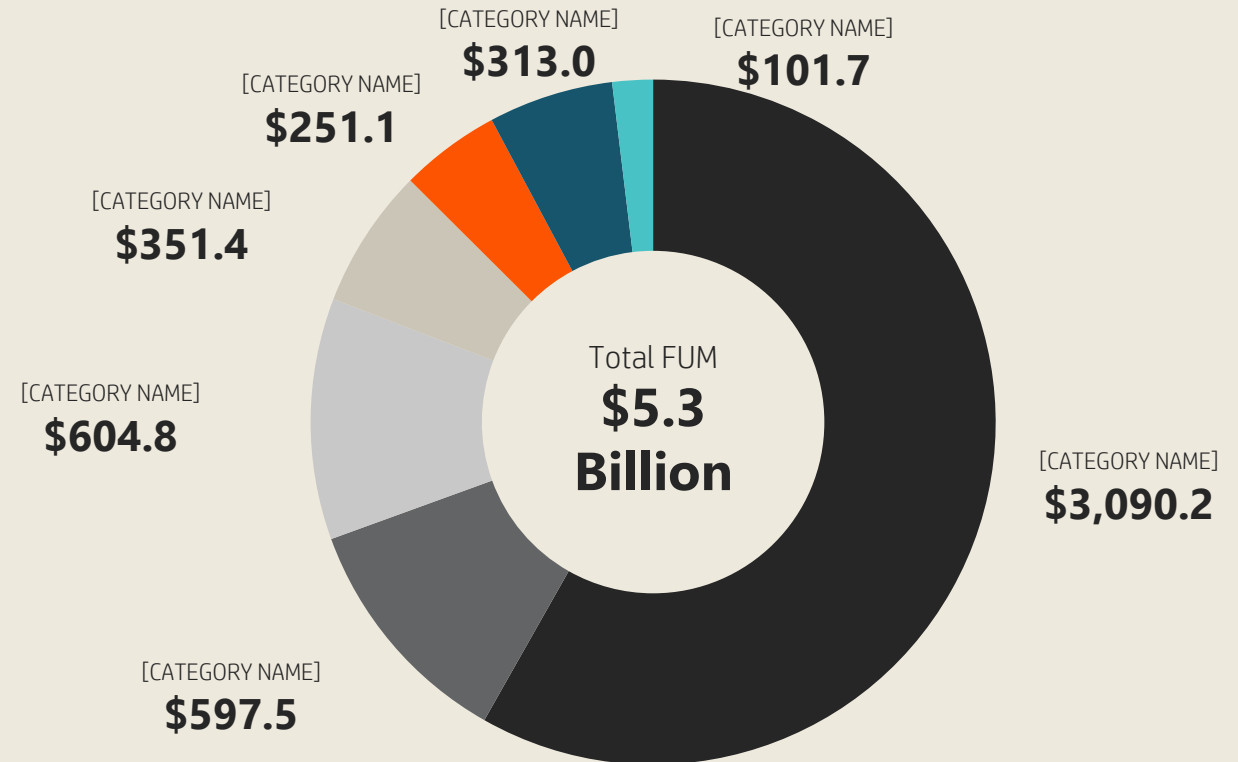
**\$0.6b** real estate  
development pipeline  
(across Healthcare Property Trust  
and Herston Quarter)



# Australian Unity Real Estate Investment

## A deeper perspective, delivered straight.

- A comprehensive real estate platform, established 1998.
- **\$5.3 billion** of real estate funds under management (FUM) as at 31 December 2021.
- Managing **more than 100** properties across the healthcare, accommodation, retail, industrial and office sectors across Australia.
- Deep expertise with **60+** specialist staff as well as support from the wider Australian Unity Group.
- Diversified offering of listed and unlisted property funds.
- Master developer for the **\$1.1 billion** Herston Quarter redevelopment in Brisbane.
- Australia's largest healthcare property fund.



## Awards





# Our vision will guide where we choose to play

## Proposed social infrastructure vision

Social Infrastructure is defined as “the interdependent mix of facilities, places, programs, projects, services and networks that maintain and improve standards of living and quality of life in a community”.

### Developing our vision

- **Australian Unity is a leader in Social Infrastructure** that supports the provision of Real Wellbeing outcomes to communities. As part of our vision, we partner with a range of participants bringing **significant private capital and co-investing** to support the increasing need of Social Infrastructure in Australia.
- We have developed our proposed Social Infrastructure vision anchored to **Real Wellbeing**.
- We believe it is our role as a mutual Real Wellbeing organisation to play a part in addressing the **social infrastructure gap**.
- As such, we will aim to provide Social Infrastructure that supports **Economic Empowerment, Lifelong Wellness** and **Strong Communities** for both our members and their broader communities.
- Australian Unity will invest alongside investor capital into this interdependent mix of facilities, places, programs, projects, services and networks while maintaining **strong risk-adjusted returns** and **delivering social impact**.
- We aim to be a **thought leader** and **coordinator** in this space, leveraging partnerships to maximise our potential impact in these areas of need through the primary activities of funding and asset management, supported by an expanded sphere soft infrastructure.



# What are the areas of need?

## Industry trends and key drivers that clarify objectives

	Lifelong Wellness	Economic Empowerment	Strong Communities
<b>Industry trends:</b>	<ul style="list-style-type: none"> <li>Ageing population</li> <li>Increasing cost of medical services</li> <li>Increasing rates of disease</li> </ul>	<ul style="list-style-type: none"> <li>Mounting affordability pressures</li> <li>Increasing working life expectancy / longevity economy</li> </ul>	<ul style="list-style-type: none"> <li>Population growth</li> <li>Regional development</li> <li>Climate</li> <li>Government infrastructure spend</li> </ul>
<b>Emerging social infra. needs:</b>	<ul style="list-style-type: none"> <li>Hospitals</li> <li>Healthy Ageing / Aged care services</li> <li>Health services</li> <li>Key worker housing</li> <li>Service integrated housing</li> </ul>	<ul style="list-style-type: none"> <li>Equity release / superannuation / retirement income</li> <li>Childcare</li> <li>Social/affordable housing/ land lease</li> <li>Student housing</li> </ul>	<ul style="list-style-type: none"> <li>Precincts</li> <li>Alternative Accommodation Models including key worker housing</li> <li>Digital infrastructure</li> </ul>
<b>Projected needs:</b>	<div> <div>36k</div> <div>Specialist Disability Accommodation places by 2030 (additional 5k compared to today)</div> </div> <div> <div>2.6m+</div> <div>People with high or very high anxiety, or distress</div> </div> <div> <div>\$57b</div> <div>In additional capital costs for aged care &amp; hospitals by 2040</div> </div>	<div> <div>50k</div> <div>Additional purpose-built student accommodation beds required by 2030</div> </div> <div> <div>\$30b</div> <div>In additional annual operating costs for aged care &amp; hospitals by 2040</div> </div> <div> <div>5m+</div> <div>people aged 70+</div> </div>	<div> <div>12k</div> <div>Childcare centres needed by 2030 (additional 3,000+ versus today)</div> </div> <div> <div>400k+</div> <div>Additional aged care workers by 2040</div> </div> <div> <div>1m</div> <div>Additional social &amp; affordable homes required by 2036</div> </div>

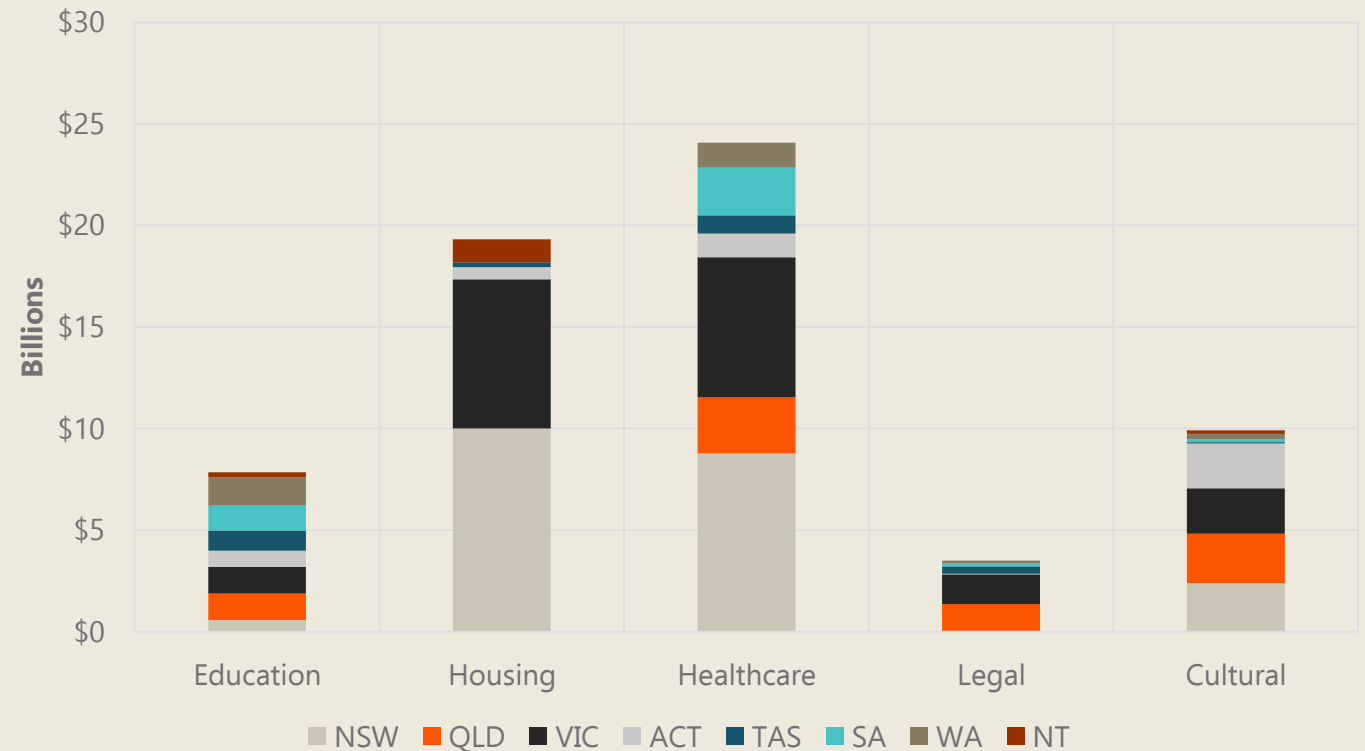


# The Government's infrastructure pipeline is significant

## Particularly in the areas of healthcare and housing

- Significant Government commitment to social infrastructure projects, particularly in NSW and VIC in the areas of healthcare and housing
- Substantial contribution by the private sector will be required over and above the public sector commitments to meet the growing infrastructure need
- An additional 41k hospital beds are forecast to be required by 2040 at \$200k capital cost per bed\*
- Limited proven providers exist in this space, creating significant opportunity for Australian Unity

Total Indicative Project Value (\$) per State by Asset Type



Source: Govt budgets. Includes the following project statuses: prospective, credibly proposed, announced, under procurement, preferred bidder announced and delivery

\*Source: PwC Social Infrastructure report.



# How to participate

**Social infrastructure broadly refers to a range of interconnecting services and facilities that address basic societal needs, contributing towards societal wellbeing**

Asset Type	Market Stage	Economic Returns	Size of the Prize	Barriers to Entry
Medical Centres	Mature	Stable	Medium	Medium
Hospitals (both Public and Private)	Mature	Stable	Large	High
Retirement Villages	Mature/Steady Growth	Stable/Total Returns bias	Large	Medium
Residential Land Lease Communities	Developing/Mature	Stable/Income bias	Large	Medium
Aged Care Facilities (including service integrated housing)	Mature/Steady Growth	Stable/Income bias	Medium	High
Disability Housing	Early Stage/High Growth	Known/Gov't Supported	Smaller	High
Student Accommodation	Developing/Mature	Known/Stable	Smaller	Medium
Childcare	Mature/Steady Growth	Known/Stable	Smaller	Low
Affordable/Social Housing	Developing	Challenged	Small (large for broader BTR)	Low
Other infrastructure funding (PPPs, BOOTs)	Mature	Stable	Large	High



# Childcare





# Asset and sector fundamentals

**A defensive investment with bi-partisan government support, providing stable (social) infrastructure-like returns.**

## **Stable, predictable returns**

through economic cycles with quarterly distributions

## **Strong Government support**

key social infrastructure with  
a Federal Budget of \$10.5 billion  
in FY2023

## **Quality**

diversified geographies  
and tenant covenants

## **Long WALE**

lease terms

## **Strong**

underlying real estate value

## **Direct**

investment exposure being an unlisted  
fund

## **Investor value**

without a listed market premium

## **Expected lower volatility**

## **Stable industry conditions**

industry revenue of **\$13.8 billion**<sup>1</sup>  
growing at a forecast **3.4% p.a.**<sup>2</sup>

## **Strategic relationships**

Australian Unity's strategic network as a  
social infrastructure leader

## **Social impact investing credentials**

improving early education and  
development outcomes

1. IBIS Child Care Services in Australia August 2021

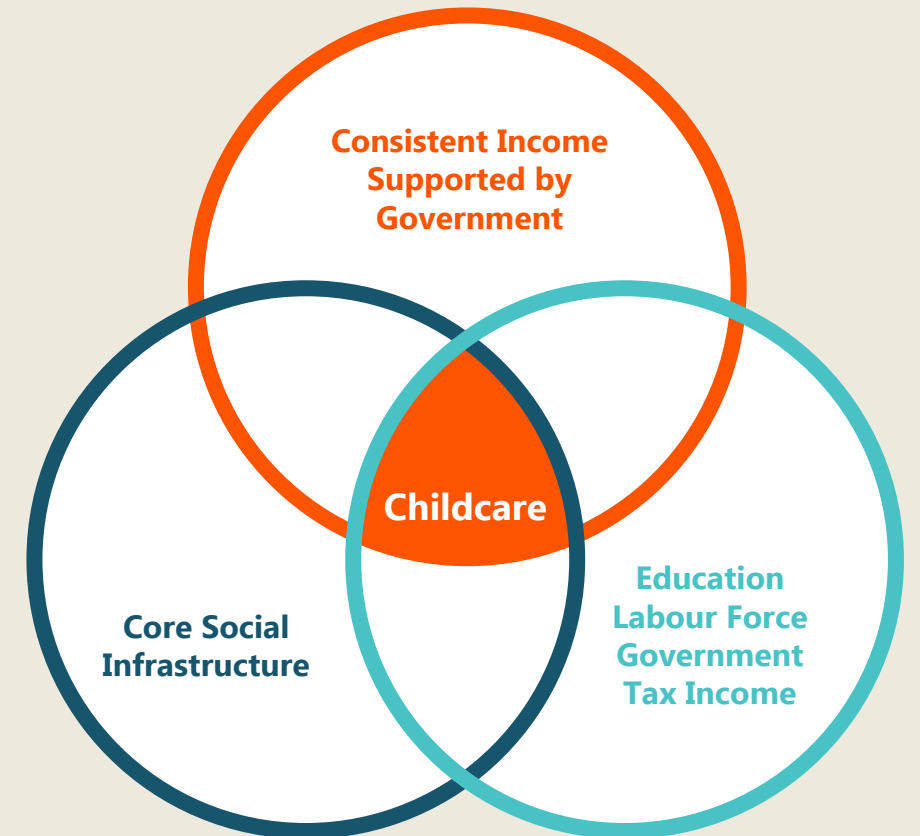
2. IBIS Child Care Services in Australia January 2020



# Defensive investment

## A chequered past means risk mitigants are often built-in

Downside factor	Childcare market
<b>Economic downturn</b>	<ul style="list-style-type: none"> <li>Childcare sector is relatively less volatile than other property sectors, such as office</li> <li>Childcare rental payments are indirectly underwritten by the Government Child Care Subsidy (CCS)</li> <li>Bipartisan Government support for Childcare is growing</li> </ul>
<b>Potential oversupply</b>	<ul style="list-style-type: none"> <li>Compared to OECD countries Australia has a relative undersupply of childcare</li> <li>There are 3.2 children (0–5 y.o.) for every 1 licensed childcare place in Australia<sup>1</sup></li> <li>Industry barriers to entry make the supply of new childcare centres very difficult</li> </ul>
<b>Operator insolvency</b>	<ul style="list-style-type: none"> <li>Operators are now heavily regulated through ACECQA and Accounting Standards</li> <li>The Fund's Portfolio has a diversified tenant register to typical national operators</li> <li>The Fund's Properties are generally in high demand locations, dominating catchments, which could be readily re-leased to alternative operators should the need arise</li> </ul>
<b>Vacancy rates increase</b>	<ul style="list-style-type: none"> <li>Childcare demand from families is largely independent of economic conditions</li> <li>Child participation is growing and directly funded through the CCS (low counterparty risk)</li> <li>Tenants 'sticky' due to quality centres in low supply and low substitutability, with alternative real estate options limited or non-existent</li> </ul>
<b>Rents decrease</b>	<ul style="list-style-type: none"> <li>Rent growth is typically fixed at the greater of CPI or 3.0% per annum</li> <li>Long lease terms of generally 15 years initial term plus two 5–10 year options</li> <li>Tenants generally renew their leases 2–3 years prior to maturity to secure their business occupancy</li> </ul>
<b>Property values decrease</b>	<ul style="list-style-type: none"> <li>Childcare real estate is expected to continue its stable returns</li> <li>As the sector matures and attracts institutional support, investment yields are expected to tighten</li> </ul>





# Specialist Disability Accommodation (SDA)





# The SDA market

Founded in 2013, the NDIS is a national scheme which provides support for Australians living with permanent and significant disability.

The significant unmet SDA demand, creates an opportunity to address the accommodation shortfall



## Insufficient supply

The National Disability Insurance Agency (NDIA) estimates that ~28,000 Participants require SDA<sup>1</sup>



## Poorly designed stock

Existing dwellings requires replacement to meet Participant care needs



## Outdated care models

Large group homes, hospitals, aged care and other unsuitable settings are considered inadequate to provide for individual care needs

To address these challenges the NDIA has committed to SDA



The NDIS has an annual recurrent budget of  
**\$700m p.a.**  
for SDA



**16,000**  
new Participant places are required for young people in aged care facilities, to replace old stock and for people on waiting lists



# Student Accommodation



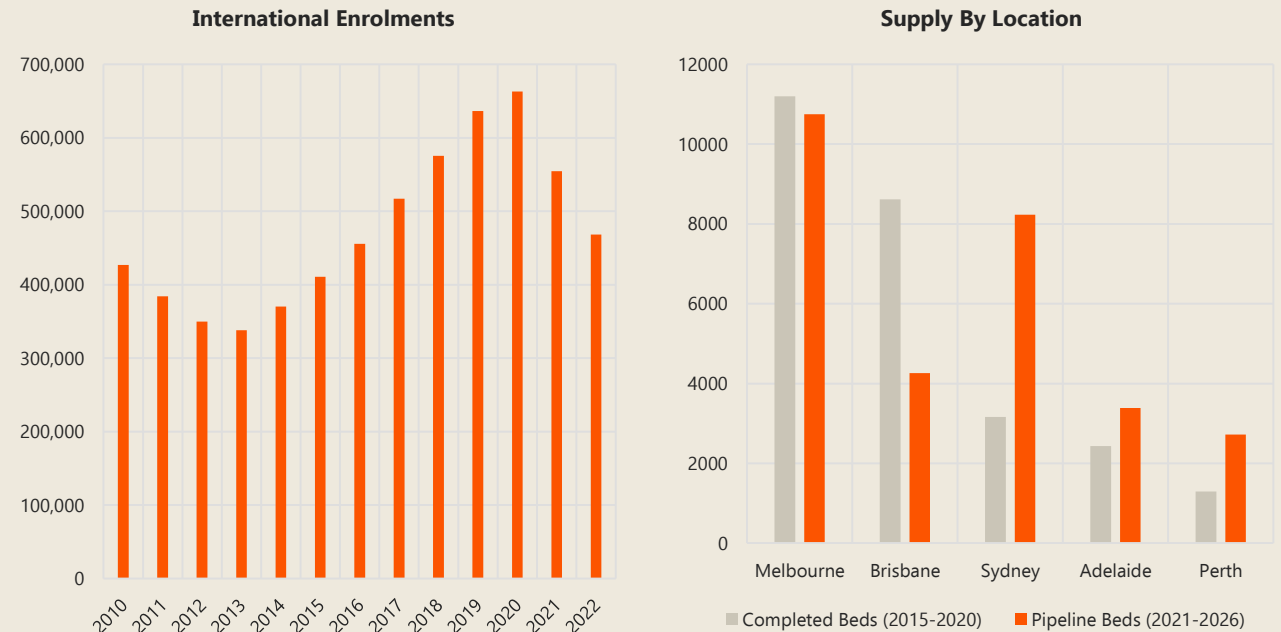


# The Purpose Built Student Accommodation market

## The PBSA market outlook is optimistic

While the pandemic restricted the PBSA market, strong fundamentals now at play make it more attractive than ever. Record low private rental vacancies, high weekly rental growth, strong visa applications and rebounding international enrolment numbers are presenting favourable conditions for PBSA investors, developers and operators.

International enrolments were growing rapidly prior to COVID-19 and, while the pandemic had its challenges, there are already signs of a strong rebound in the PBSA market





# Seniors Living



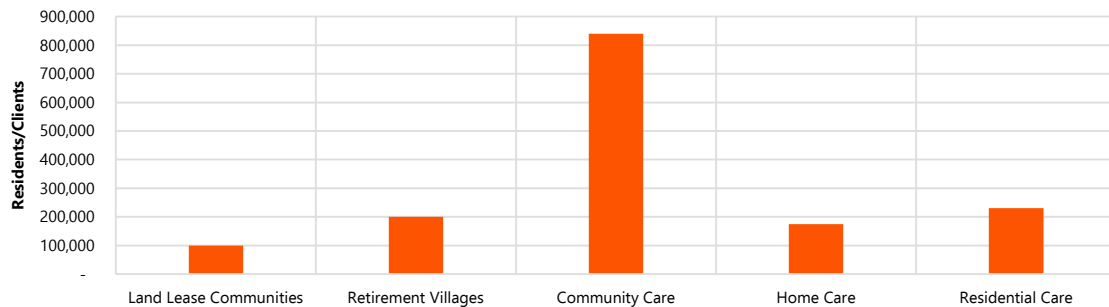


# Retirement Living and Residential Aged Care

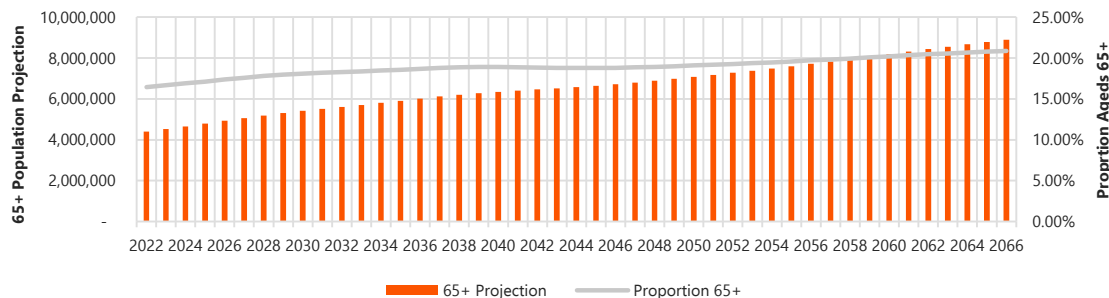
Seniors living, as a care service, is essential to Australia, with an estimated 1.55 million Australians in contact with seniors living services annually. Assuming an average of three family members, the sector touches on almost 25% of Australia's population, and 50% of Australian's aged 40+.

Australians aged 65 and over are projected to account for ~20% of the population by 2040 and ~21% of the population by 2066

Seniors' services

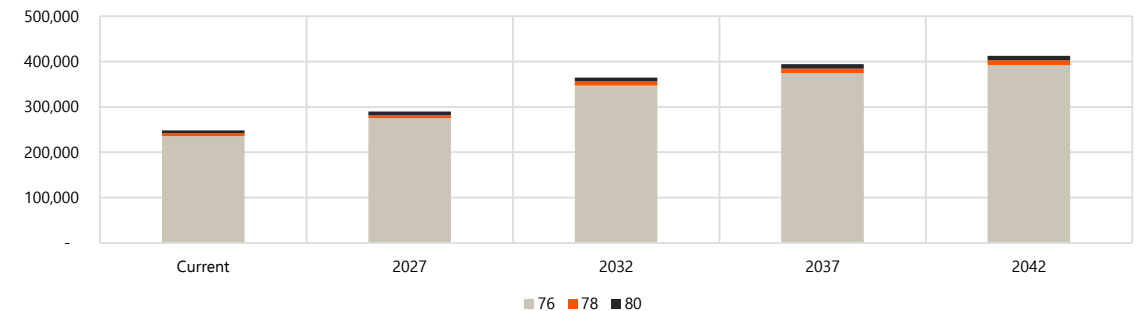


65+ population growth

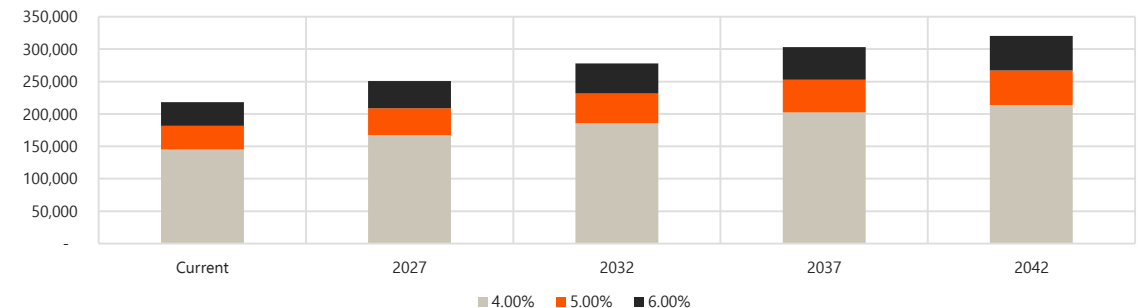


By 2042, Residential Aged Care places and RV Independent Living Units demanded is expected to grow to 400,000+ RAC places and ~300,000 ILUs.

Residential Aged Care Places Demand



National Projected ILU Demand (at Varying Penetration Rates)





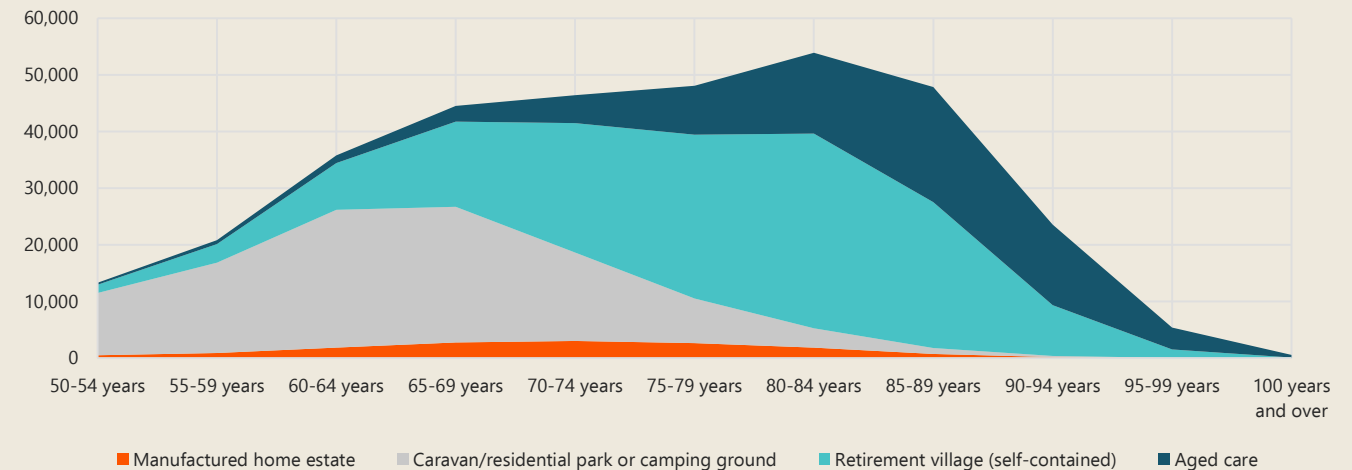
# Residential Land Lease Communities

## The new kid on the block that isn't that new

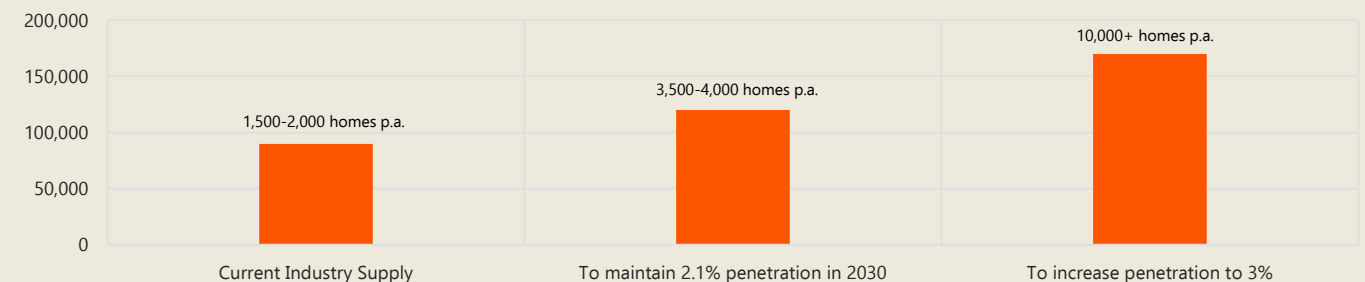
- The pandemic has motivated many retirees to travel domestically via caravans and/or holiday parks. This is expected to translate to a stretch in some consumer's taste from traditional retirement to also include "lock up and leave" residential LLCs.
- Caravan/Residential Parks represent most of the occupied supply for 50-69 year olds (ave. 80% for these ages). There is potential to capture many of these park residents under the same structure when they retire.
- At a market penetration rate of 3.5%, an additional 120-150 assets will be required nationally in the next 10 years. For reference, approx. 22 million people in the US live in LLCs/MHEs, which is c.19% of 50+ year olds and c.40% of 65+ year olds (incl families)
- JLL research concludes that the LLC/MHE market ranks in the top 1/3 of the alternative investments sector for investable growth potential

### Alternate solutions for every lifestyle

Seniors Living Accom Types 2016 Census



Land Lease Industry demand/supply - current to 2030





# Long Stay Accommodation (LSA)





# Long Stay Accommodation

## We mean; affordable, social and key-worker housing

- Social and affordable housing is essential infrastructure for successful communities yet Australia has seen decades of underinvestment in social and affordable housing
- The present value cost to taxpayers to bridge this gap is estimated at \$55 billion assuming that social and affordable housing support is gradually stepped up year by year to eventually meet all the projected need across Australia by 2051
- The benefits to the Australian community in health cost savings, reduced domestic violence, reduced costs of crime, enhanced human capital, improved labour market productivity and better education outcomes are estimated at almost \$110 billion in present value terms
- The sector is expected to be ~175,000 apartments, worth ~\$100 billion, in 10-years.

Similar to other social infrastructure markets, the BtR/LSA market is backed by strong fundamentals, including fast population growth, insufficient housing supply and inadequate housing product



### Insufficient supply

If nothing changes, more than 2 million Australian households on low incomes in private rentals will be in housing stress by 2051, paying rents in excess of 30 per cent of income



### Underserved submarket

Existing BTR projects, targeting upper-quartile owners, amounts to ~15,600 apartments, less than 25% of the current market rental requirement



### Rapid population growth

Populations in Australian capital cities are expected to grow at rates of 1.5%+ from 2018-2041



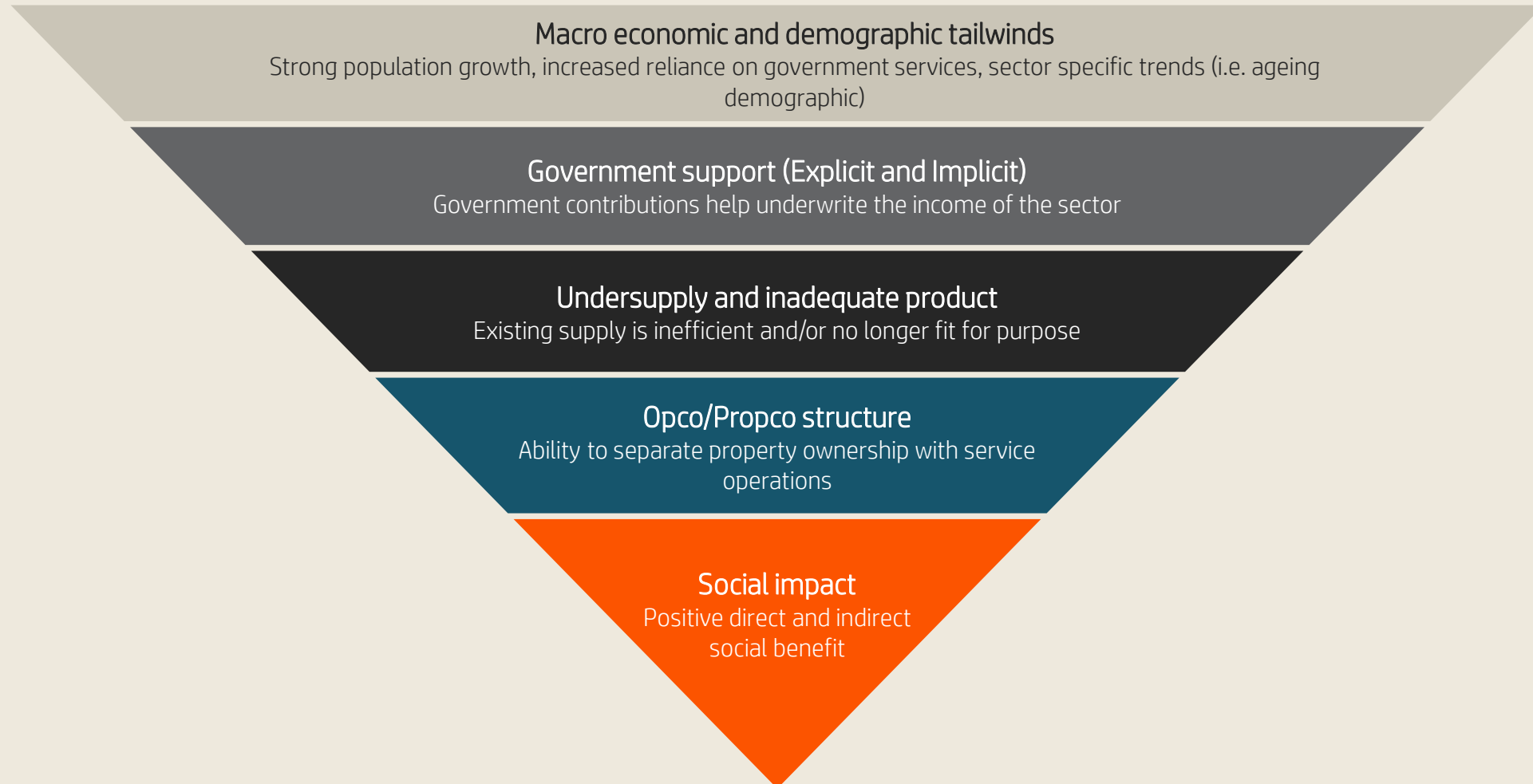
# Key themes and social impact





# Key underlying themes of social infrastructure

Strong underlying themes support the long term viability of the sector.





# Our Social Impact

We believe it is our role as a mutual Real Wellbeing organisation to play a part in addressing the social infrastructure gap.



## Social impact report

In 2021 we published our first impact report leveraging our CSV measurement framework that quantitatively measures our social impact



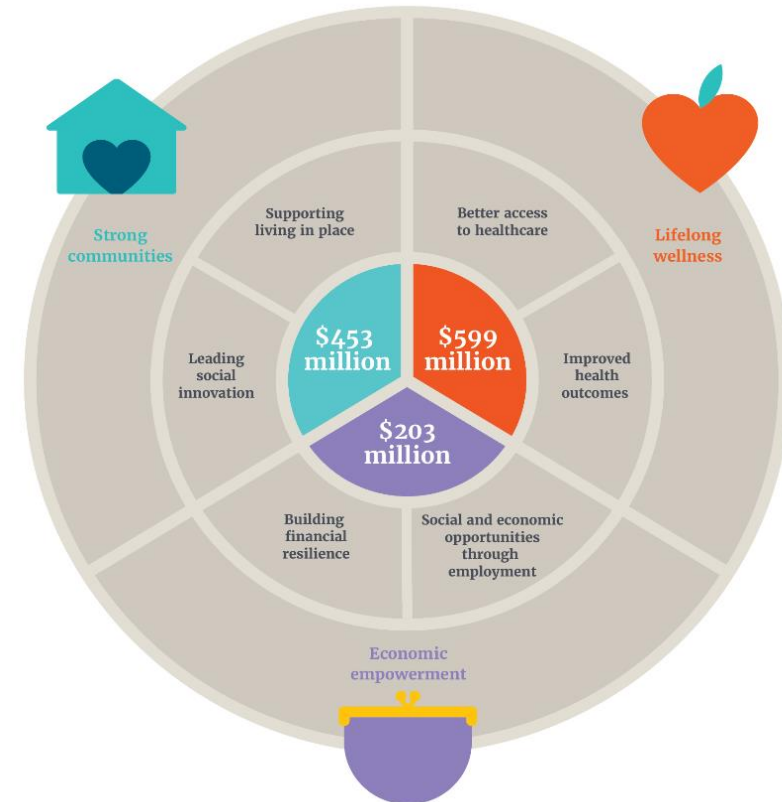
## Three CSV domains

In FY21, we delivered \$1.25b social impact across our 3 CSV domains – strong communities, lifelong wellness, economic empowerment



## Six key outcomes

Our impact spans six key outcomes including better access to healthcare, improved health outcomes, social and economic opportunities through employment, building financial resilience, leading social innovation and supporting living in place





# Important information

## General Advice

The information in this presentation is of a general nature only and is intended for use by financial advisers and other licensed professionals only. The information is intended for recipients in Australia only. As the information in this presentation has been prepared without considering the objectives, financial situation, or needs of any investor, they should, before acting on the information, consider its appropriateness to their circumstances. Prior to investing in any financial product, an investor should determine, based on their own independent review and such professional advice as it deems appropriate, the nature and extent of economic risks and merits, the legal, tax and accounting characteristics and risk, and the consequences of an investment in the financial product.

## Forward-looking statements

Certain statements in this presentation may constitute forward-looking statements or statements about future matters (including forecast financial information) that are based upon information and assumptions made as of the date of this presentation. Forward-looking statements can generally be identified by the use of forward looking words, such as “forecast” and other similar expressions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. These statements are subject to internal and external risks and uncertainties that may have material effect on future business. Actual results may differ materially from any future results or performance expressed, predicted or implied by the statements contained in this presentation. As such, undue reliance should not be placed on any forward-looking statement. Past performance is not a reliable indicator of future performance.

## No Reliance

This document is based on information available at the time of the presentation. The information herein is believed to be accurate as at the time of the presentation and any opinions, conclusions or recommendations are reasonably held or made but no warranty is made as to accuracy, reliability or completeness. To the extent permitted by law neither AUPL, AUFM, AUIRE or any of its related parties, or any of their respective employees or any other person accept any liability for any claim in respect of anything stated herein, and of the consequences of anything, done or omitted to be done by any person acting in reliance, whether wholly or partially, upon the contents of this presentation. No person shall act or omit to act on the basis of any information presented during the course of this presentation without considering and if necessary taking appropriate professional advice upon his or her own particular circumstances.

## Illustrative information only

This presentation is not, and is not intended to be, an offer or invitation for subscription or sale, or a recommendation, with respect to any financial product discussed herein, nor is it to form the basis of any contract or commitment. Recipients of this presentation should therefore place no reliance on the content of this presentation when making any decision to invest. Any examples or information provided in this document are for illustrative and discussion purposes only and do not represent a recommendation or Australian Unity’s view on future events and in no way binds Australian Unity. The presentation does not purport to be a complete statement or summary.

This presentation is confidential and should not be distributed by the recipient in whole or in part to any other person.

## Trademarks

Any trademarks, logos, and service marks contained herein may be the registered and unregistered trademarks of their respective owners. Nothing contained herein should be construed as granting by implication, or otherwise, any licence or right to use any trademark displayed without the written permission of the owner.

© 2022 Property of the Australian Unity Group, all rights reserved. Not to be reproduced without permission.

## Photographs, Images

Property pictures contained in this presentation are assets owned by the Fund, due for settlement or currently under exclusive due diligence (including artistic impressions of assets in, and proposed for, development).



