



# Strata-Titled Retirement Villages A Resident Friendly Model

There are many models available for Retirees as they enter a Retirement Village community, and the range of complicated contracts and costs can be confusing. It is important to understand the options available to find the right retirement option for you. The Strata – Titled model is not often talked about, which is surprising because it has many advantages for the resident.

At present only 6% of Retirement Villages in NSW are under Strata-Title, however, the model is likely to return to popularity as its understanding grows amongst potential residents. Why is strata title considered a Resident preferred model?

## Home and Land Ownership

Foremost for many people is the fact that you own your own home and have the financial and personal security that goes along with home ownership. This security is greater under Strata Title even than the land lease model that most over 50s resorts are based on, where you own the house but not the land it sits on.

## Your Say In The Decision Making

Under Strata Title, as Villa Owners, you have a say in the governing Strata By-Laws and budgets, so you get to participate in the decision making of how money is spent in your village and the rules by which Villa Owners agree to abide.

The Retirement Village Operator is still responsible for the services and activities in the village, however, the responsibility for management and maintenance of common

property is with the Strata Manager. You get to enjoy the lawns, gardens and facilities without the hassle of having to do anything yourself.

In addition, subject to any reasonable strata by-laws, you own your own home, so you can renovate or decorate it yourself to suit your own style and budget.

## DMF Allows Up-Front Savings

Whilst there are significant financial differences between the Strata Title model and other models, the very useful Deferred Management Fee (DMF) is retained. The DMF is a fee paid by an outgoing Villa Owner on the sale of their Villa and it is based on a percentage of the sale price of the villa multiplied by a capped period of time (typically 6-10 years) that that the villa has been owned.

The average DMF across the village surveyed for the Australian Property Council being 30% DMF after a 6-year period of ownership. Whilst this may sound high, the DMF usually causes the purchase price of the property to be significantly lower than the market price of comparable dwellings in the area you choose to live in. It is not unusual for you to pay up to 30% less than the market price in the non-retirement market for an equivalent property. In other words, the DMF is a very practical mechanism whereby you save up-front when deciding to live in a Retirement Village and costs are deferred to when you exit; by which time is easier to pay the DMF as it is paid from the proceeds of the Villa sale.

The upfront savings as a result of DMF give you money to spare to enjoy your lifestyle today and perhaps even allow you to retire earlier. DMF can be a real boon to better enjoy your golden years.

## Effect on Pensions

The effect on your pension sans other government payments and allowances will vary according to your personal circumstances, however, because you are allowed to own your own home, owning a Retirement Villas under the Strata Title scheme compares favourably to rental models or models with higher ongoing costs, particularly as we are, on average, living longer! Also, if Villa owners are eligible for Rent Assistance, and the value of the Villa is below the asset threshold, then annual costs could be reduced for the resident by up to \$1,000 each year. In terms of pensions, we want to stress again that it does depend upon your personal circumstances and government policy that may change from time to time, so you must get your own professional financial advice.

## The Capital Gain Is All Yours

Perhaps the most significant financial aspect of the Strata Title concept is the capital gain on sale. Under strata title, because you own both the dwelling and an interest in the land, unlike other retirement community models, as the value of the property increases, so does your capital return.

Whilst past performance is no guarantee of future performance, by way of example, at Windsor Country Village, which is a Strata Titled Village,

the value of two-bedroom Villas has increased at more than 5.2% per annum over the past 34 years. For example, a two-bedroom Villa bought for \$340,000 in 2018, will sell for \$420,000 in April 2022.

Owners of real estate benefit from the increase in the value of the land less the depreciation in the value of the improvements. In a Strata Title village, the resident/owner benefits from the appreciation in land value. This is not the case in a land lease village.

## Affordability, Community & Security

Strata-titled Villages give you a financial and personal security today and an investment return on your money that can be used for possible future higher care needs or for leaving an inheritance! You get a say in the running of the Village but less responsibility for maintenance and management which leaves you free to enjoy your retirement lifestyle. All in all, the Strata Title model for retirement villages offers advantages in terms of affordability, community and both financial and emotional security.

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