

OCEANIA HEALTHCARE

**SUPPLEMENTARY BUSINESS AND
INDUSTRY INFORMATION RELATING TO THE INITIAL PUBLIC
OFFERING OF SHARES IN OCEANIA HEALTHCARE LIMITED**

31 MARCH 2017



This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.companiesoffice.govt.nz/disclose. Oceania Healthcare Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

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1. About This Document

The information contained in this document should be read in conjunction with Oceania Healthcare Limited's Product Disclosure Statement dated 31 March 2017 (**PDS**) and other information presented on the Offer Register. The purpose of this document is to provide additional information on Oceania's development pipeline, industry, and other matters.

Capitalised terms in this document have the same meaning as the terms defined in the PDS.

2. Portfolio Summary

Oceania operates in the New Zealand aged care and retirement village sectors, with a nationwide portfolio of 50 sites, comprising 48 aged care and retirement village facilities (one of which is in the advanced stages of closure for redevelopment) with two sites held for redevelopment. Following completion of the Offer, Oceania will be the freehold owner of 47 of its 50 nationwide sites. The facilities are predominantly concentrated in six main population centres of Auckland, Tauranga, Hawke's Bay, Wellington, Nelson, and Christchurch. Oceania's facility distribution broadly follows the national population distribution, with 71%¹ of Oceania's facilities located in the North Island.

Figure 1: Summary of Facilities^{2,3,4,5}

	Facility	Region	Category	Effective Care Beds	Total Care Suites	Village Units	Aged Care Certification Years
North Island	Totara Park Village	Rodney	Village	-	-	30	n.a.
	Greenvale Rest Home	North Shore	Care Beds	50	-	-	3
	Lady Allum Lifestyle Care & Village	North Shore	Care Beds, Care Suites, Village	128	15	130	4
	Maureen Plowman Rest Home	North Shore	Care Beds	-	-	-	3
	Te Mana Rest Home	North Shore	Care Beds	46	-	-	3
	West Harbour Specialist Senior Care Centre	Waitakere	Care Beds	68	-	-	3
	Eden Lifestyle Care & Village	Auckland	Care Suites, Village	-	67	40	3
	Everil Orr Specialist Senior Care Centre*	Auckland	Care Beds	67	-	-	3
	Meadowbank Lifestyle Care & Village	Auckland	Village	-	-	56	n.a.
	Wesley Specialist Senior Care Centre*	Auckland	Care Beds	71	-	-	3
	Elmwood Lifestyle Care and Village	Manukau	Care Beds, Care Suites, Village	112	27	125	3
	St Johns Village	Manukau	Village	-	-	18	n.a.
	Takanini Specialist Senior Care Centre	Manukau	Care Beds	91	-	-	3
	Franklin Rest Home*	Franklin	Care Beds	44	-	-	4
	Trevellyn Lifestyle Care & Village	Hamilton	Care Beds, Village	106	-	43	3
	Raeburn Rest Home	Cambridge	Care Beds	54	-	-	3
	Whitianga Rest Home	Whitianga	Care Beds	53	-	-	3
	Elmswood Rest Home	Tauranga	Care Beds	38	-	-	3
	Melrose Lifestyle Care & Village	Tauranga	Care Beds, Village	80	-	60	3
	Ohinemuri Rest Home	Paeroa	Care Beds, Village	68	-	3	3
	Victoria Place	Tokoroa	Care Beds	51	-	-	3
	St Johns Wood Rest Home & Village	Taupo	Care Beds, Care Suites, Village	40	6	33	3
	Wharerangi Rest Home	Taupo	Care Beds	47	-	23	3
	Dunblane Rest Home & Village	Gisborne	Care Beds, Village	75	-	13	3
	Duart Rest Home	Hastings	Care Beds	66	-	-	4
	Eversley Lifestyle Care & Village	Hastings	Care Beds, Village	50	-	6	3
	Gracelands Lifestyle Care & Village	Hastings	Care Beds, Village	92	-	69	4
	Ataahua Lifestyle Care & Village	Napier	Care Beds, Care Suites, Village	68	14	46	4
	Woburn Resthome	Hawke's Bay	Care Beds	33	-	-	3
	Chiswick Park Rest Home	Palmerston North	Care Beds	50	-	-	3
	Palmerston Manor Resthome	Palmerston North	Care Beds	48	-	-	3
	Eldon Specialist Senior Care Centre	Paraparaumu	Care Beds	128	-	-	4
	Elderslea Specialist Senior Care Centre*	Upper Hutt	Care Beds	124	-	-	3
	Heretaunga Resthome & Village	Upper Hutt	Care Beds, Village	38	2	18	3
	Hutt Gables Retirement Village	Upper Hutt	Village	-	-	46	n.a.
South Island	Marina Cove Village	Picton	Village	-	-	22	n.a.
	Green Gables Resthome & Village ⁵	Nelson	Care Beds, Village	43	-	12	3
	Otumarama Resthome	Nelson	Care Beds	44	-	-	3
	Stoke Retirement Village	Nelson	Village	-	-	121	n.a.
	Whareama Specialist Senior Care Centre	Nelson	Care Beds	76	-	-	3
	Redwood Lifestyle Care & Village	Blenheim	Care Beds, Care Suites, Village	71	13	46	3
	Woodlands Resthome & Village	Tasman	Care Beds, Village	63	-	30	3
	Holmwood Rest Home	Christchurch	Care Beds	56	-	-	3
	Middlepark Rest Home & Village	Christchurch	Care Beds, Care Suites	49	12	-	3
	Palm Grove Lifestyle Care & Village	Christchurch	Care Beds, Care Suites, Village	42	42	32	4
	Resthaven Rest Home	Christchurch	Care Beds	49	-	-	3
	The Oaks Lifestyle Care & Village	Christchurch	Care Beds, Care Suites, Village	69	36	32	3
	Windermere Lifestyle Care & Village	Christchurch	Village	-	-	17	n.a.
	Addington Lifestyle Care	Christchurch	Care Beds, Care Suites	90	7	-	3
Total				2,638	241	1,071	

¹ Source: Statistics New Zealand

² As at November 2016

³ * denotes a leasehold property

⁴ 22 Care Suites are currently occupied by residents that pay the DMF, but are not yet receiving clinical care

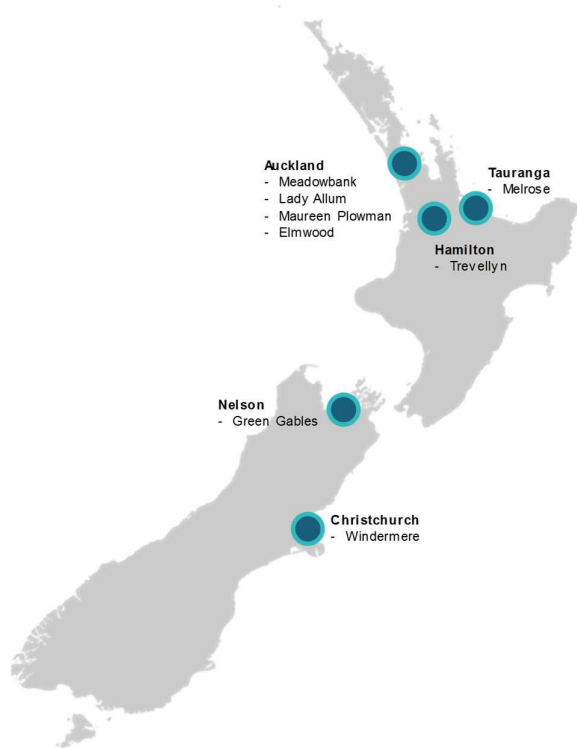
⁵ Green Gables is in the advanced stages of closure

The Woodchester care facility previously operated on a site in Christchurch but was closed following the February 2011 earthquake. The site has been cleared and is currently held as bare land with new development plans underway. None of Oceania's facilities were materially impacted by the November 2016 earthquake.

Everil Orr Facility

Oceania has entered into a Development Agreement with Airedale Property Trust (**APT**) under which Oceania currently leases land and buildings in Mt Albert from APT and operates a rest home and hospital facility on the property. APT intends to undertake staged development of this land to create a retirement village and an aged care facility providing Care Suites. Oceania will act as the operator of the new facility and will be responsible for all sales and marketing of retirement village Units.

3. Oceania's Eight Strategic Priority Development Sites



Oceania has eight strategic development sites within its broader Brownfield Development land bank.

The strategic development sites are located in key markets of Auckland (Meadowbank Stage III-V, Lady Allum, Maureen Plowman and Elmwood), Tauranga (Melrose), Hamilton (Trevellyn), Nelson (Green Gables) and Christchurch (Windermere).

At the date of the PDS, Stage 1 of development at Lady Allum is substantially complete and development is underway at Meadowbank (Stage 3), Maureen Plowman and Elmwood.

Meadowbank Stages 4-5, Melrose, Trevellyn and Green Gables all have resource consent for upcoming development, and the application for resource consent at Windermere is in advanced stages.

Auckland - Meadowbank⁶



Site overview	Meadowbank is one of New Zealand's premier retirement village locations, situated 10km east of the Auckland CBD. The site has city views and nature reserve surroundings and is in close proximity to rail and other amenities.
Previous / current operations	Meadowbank previously operated a legacy, 48 Care Bed facility (closed for redevelopment in October 2014) and 12 cottages. All Care Beds have been decommissioned and demolished. The cottages are rented or vacant but do not sit over the redevelopment footprint.
Development history	Stage 1 of the Meadowbank development (42 apartments) was completed in 2012. Stage 2 (14 apartments) was completed in 2015. Stage 3 is in progress at the date of the PDS.
Development outlook	<p>Upon completion of the five stage development plan⁷, Meadowbank will provide an integrated continuum of care for up to 253 residents in a completely redeveloped setting. The entire scheme (including stage 1 and stage 2 which have been completed) will comprise:</p> <ul style="list-style-type: none"> • 187 Apartments; • 30 Care Suites; • 32 Care Studios (decreasing from previous 48 Beds); • Community centre; and • Underground parking.
Consenting	Resource consent has been obtained for all five stages, with Stage 3 currently under construction.
Development area	22,172 sqm (total site).

⁶ Graphical renders shown to illustrate proposed development design

⁷ Note excludes Stage 6, which is anticipated to add ~40 Care Suites, as it is currently only in the early stages of planning

Auckland – Lady Allum⁸



Site overview	Lady Allum is located in Milford, Auckland (11 km north of the Auckland CBD) and is within walking distance of North Shore Hospital.
Previous / current operations	Lady Allum has a long established, strong care reputation and a popular existing retirement village. The existing facility consists of 143 Care Beds and Care Suites and 86 retirement village Units.
Development history	44 new Apartments and a new community centre are under construction at the date of the PDS.
Development outlook	There is an immediate opportunity to build a further 36 apartments.
Consenting	Resource Consent is in place for stage 1 only (under construction currently).
Development area	4,440 sqm for Stage 1.

⁸ Graphical render (second photo) shown to illustrate proposed development design

Auckland – Maureen Plowman⁹



Site overview	Maureen Plowman is located on the waterfront in Browns Bay. The site is within walking distance of shops and transport.
Previous / current operations	A 55 Care Bed facility and some legacy rental units are in the process of being demolished to make way for the redevelopment.
Development history	Oceania has not undertaken any prior development activity at Maureen Plowman.
Development outlook	<p>Following a complete redevelopment, Maureen Plowman will feature a five level beachfront-facing complex with:</p> <ul style="list-style-type: none"> • 64 Apartments; • 12 Care Suites; • 32 Care Studios; and • Underground parking.
Consenting	Resource Consent is in place and site is currently under construction.
Development area	7,126 sqm.

⁹ Graphical render (second photo) shown to illustrate proposed development design

Auckland – Elmwood¹⁰



Site overview	Elmwood is located in Manurewa, Auckland on the southern side of Hill Road, almost directly opposite the Gardens Shopping Centre and the entrance to the Auckland Regional Botanic Gardens.
Previous / current operations	Elmwood has a long established, strong care reputation and a popular existing retirement village. The existing facility consists of 139 Care Beds and Care Suites and 125 retirement village Units.
Development history	23 new villas were built in 2011, 24 new villas were built in 2015 and there are currently 25 new villas under construction on an adjoining piece of land that was purchased in 2016.
Development outlook	There is no further land to develop on the site.
Consenting	Resource Consent is in place for stage 3 only (under construction currently).
Development area	6,207 sqm for Stage 3.

¹⁰ Graphical render (second photo) shown to illustrate proposed development design

Tauranga – Melrose⁹



Site overview	Melrose is located within 3km of downtown Tauranga and has wide harbour views.
Previous / current operations	Melrose was the first retirement facility to be built in Tauranga. There is a care facility on site with 80 beds (39 resthome and 41 hospital) and a retirement village with 60 villas. A new, 82 Care Bed facility will be constructed on land adjacent to the existing facility, enabling the continued operation of the existing facility during construction. Following the opening of the new care facility, the old facility will be closed and demolished to make way for the retirement village development.
Development history	22 Villas were constructed at Melrose during 2007 and 2008.
Development outlook	<p>Melrose will be comprehensively redeveloped as a modern retirement village facility providing a continuum of care. At the end of five stages the site will comprise, in addition to an existing 31 Villas:</p> <ul style="list-style-type: none"> • 209 Apartments; • 9 Villas; • 20 Care Suites and 60 Care Studios; • A community centre; and • 200 carparks.
Consenting	Resource Consent is in place.
Development area	34,384 sqm.

Hamilton – Trevellyn¹¹



Site overview	Trevellyn is located at the northern end of Hamilton's main shopping area and business centre in the suburb of Beerescourt.
Previous / current operations	A new, 92 Care Bed facility will be constructed on land adjacent to the existing 106-bed facility, enabling the continued operation of the existing facility during construction. Following the opening of the new care facility, the old facility will be closed and, along with some old villas (3 ORAs in place) and legacy rentals on the site, demolished to make way for the retirement village development, while the existing 40 apartments will remain.
Development history	Oceania has not undertaken any prior development activity at Trevellyn.
Development outlook	<p>Trevellyn is planned to be developed to provide a continuum of care. Once complete, the site will comprise:</p> <ul style="list-style-type: none"> • 173 Apartments; • 44 Care Suites; and • 48 Care Studios.
Consenting	Resource Consent is in place.
Development area	19,908 sqm.

¹¹ Graphical render (second photo) shown to illustrate proposed development design

Nelson – Green Gables¹²



Site overview	Green Gables is located in the heart of central Nelson, within walking distance to amenities.
Previous / current operations	The existing 44-bed facility is in the advanced stages of closure and will be demolished to make way for the development, while the existing 12 Villas will remain.
Development history	Oceania has not undertaken any prior development activity at Green Gables.
Development outlook	<p>Upon completion, the redeveloped area will comprise:</p> <ul style="list-style-type: none"> • 27 new Apartments; • 36 new Care Suites; • 25 new Care Studios; • A new community centre; and • 40 carparks.
Consenting	Resource Consent is in place.
Development area	7,242 sqm.

¹² Graphical render (second photo) shown to illustrate proposed development design

Christchurch – Windermere¹³



Site overview	Windermere is located in Papanui, an established suburb to the west of the Christchurch CBD.
Previous / current operations	The previous aged care facility was demolished following the 2011 earthquakes.
Development history	A new hospital wing was constructed at Windermere in 2009 however this was subsequently demolished by the 2011 earthquake.
Development outlook	Windermere is planned to be developed to provide a continuum of care. Once complete, the site will comprise: <ul style="list-style-type: none"> • 71 Apartments; • 40 Care Suites; and • 20 Care Studios.
Consenting	Resource Consent application is in process.
Development area	16,176 sqm.

¹³ Graphical render (second photo) shown to illustrate proposed development design

4. Supplementary Industry Information

4.1. Aged Care Funding Model

Aged Care Beds and services are funded by the Government via DHBs and / or privately via resident contributions. DHBs are responsible for funding residential aged care under the Social Security Act 1964 and have contracts in place with operators under a nationwide contract, the ARRC Contract. ARRC Contracts are negotiated nationally on an annual basis and are intended to contribute towards specified services for residents eligible for Government funding, including accommodation, meals, pharmaceuticals, medical supplies and certain ancillary services.

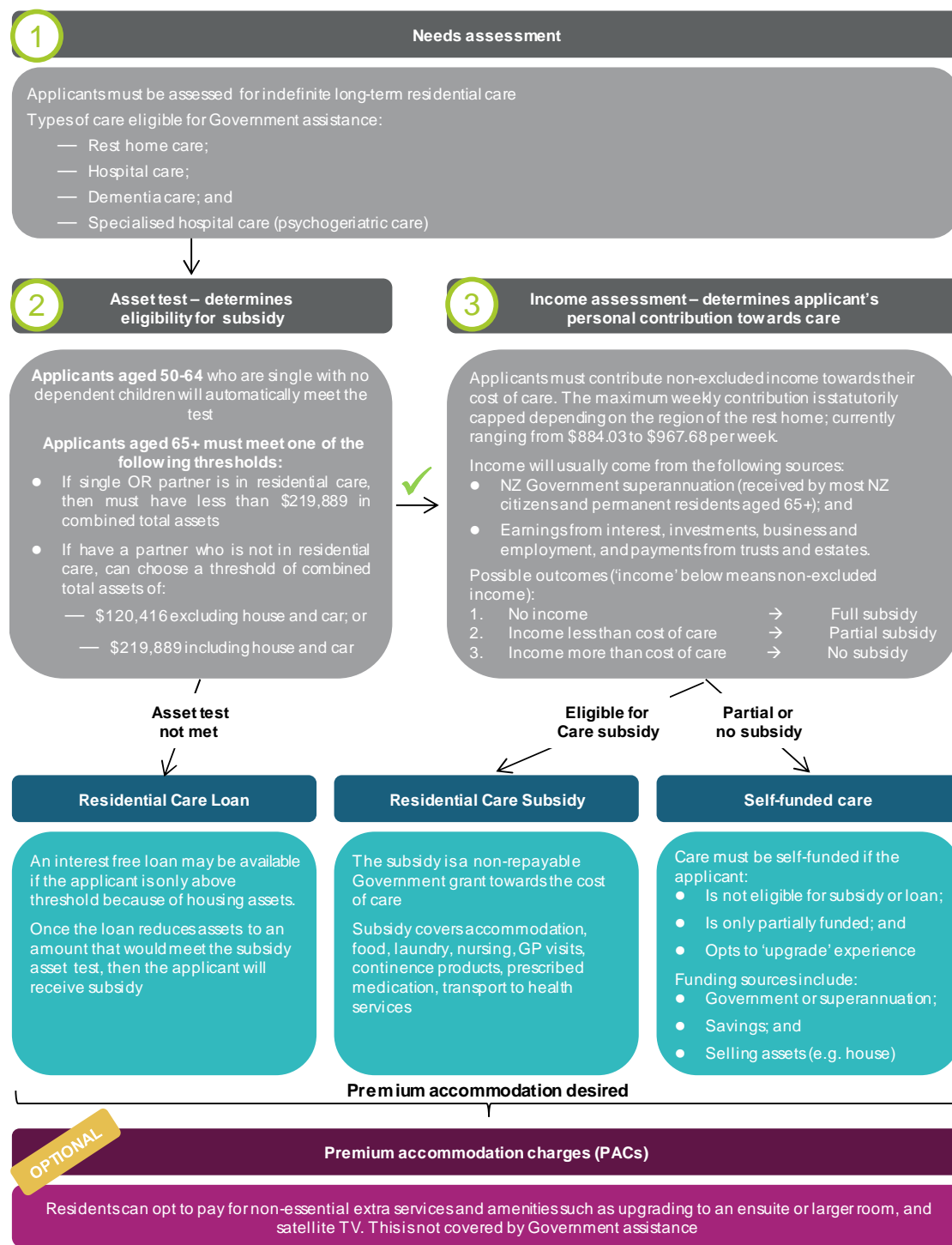
To receive Government-funded residential aged care, a resident must choose a provider that has a contract with a DHB and must:

- be a New Zealand citizen or permanent resident;
- be needs assessed by the DHB as having high or very high needs which are indefinite and unable to be supported in the wider community;
- be aged 65 or over, or aged between 50 and 64, unmarried and with no dependent children; and
- satisfy income and asset testing requirements.

To determine the level of care required, a needs assessment test is carried out on the resident using the InterRAI. See section 4.7 below for more information on InterRAI.



Aged Care Funding Model^{14,15,16}



¹⁴ Source: New Zealand Medical Journal "Biases in describing residents in long-term residential Aged Care", September 2014

¹⁵ Source: MoH

¹⁶ Source: Work and Income New Zealand

Historical Growth in Government Funding of Aged Care

Figure 2: Historical Growth in Government Funding of Aged Care¹⁷

Effective Date		Historical Gross Fee Increases		
Year	Month	Rest Home	Hospital	Dementia
2005	July	3.00%	3.00%	3.00%
2006	March	4.00%	4.00%	4.00%
2006	July	3.10%	5.97%	5.97%
2007	July	6.93%	6.72%	7.07%
2008	July	2.80%	2.80%	2.80%
2009	April	0.50%	0.50%	0.75%
2009	July	4.50%	5.30%	4.50%
2010	July	1.73%	1.73%	1.73%
2010	October (GST Increase)	0.00%	0.00%	0.00%
2011	July	1.72%	1.72%	9.22%
2012	July	1.49%	1.49%	5.81%
2013	July	0.89%	0.89%	2.47%
2014	July	1.00%	1.00%	1.00%
2014	October	5.00%	0.00%	0.00%
2015	July	0.70%	0.70%	0.70%
2016	July	1.00%	1.00%	1.00%
% Increase to July 2016 (compounding)		41.47%	39.27%	58.05%
Time In Years		11 yrs	11 yrs	11 yrs
CPAEGR ¹		3.20%	3.06%	4.25%
CPI CAGR to July 2016		2.07%	2.07%	2.07%
CPAEGR in Excess of CPI		1.14%	0.99%	2.18%

¹ Compound per annum equivalent growth rate

4.2. Aged Care Industry Occupancy Rates

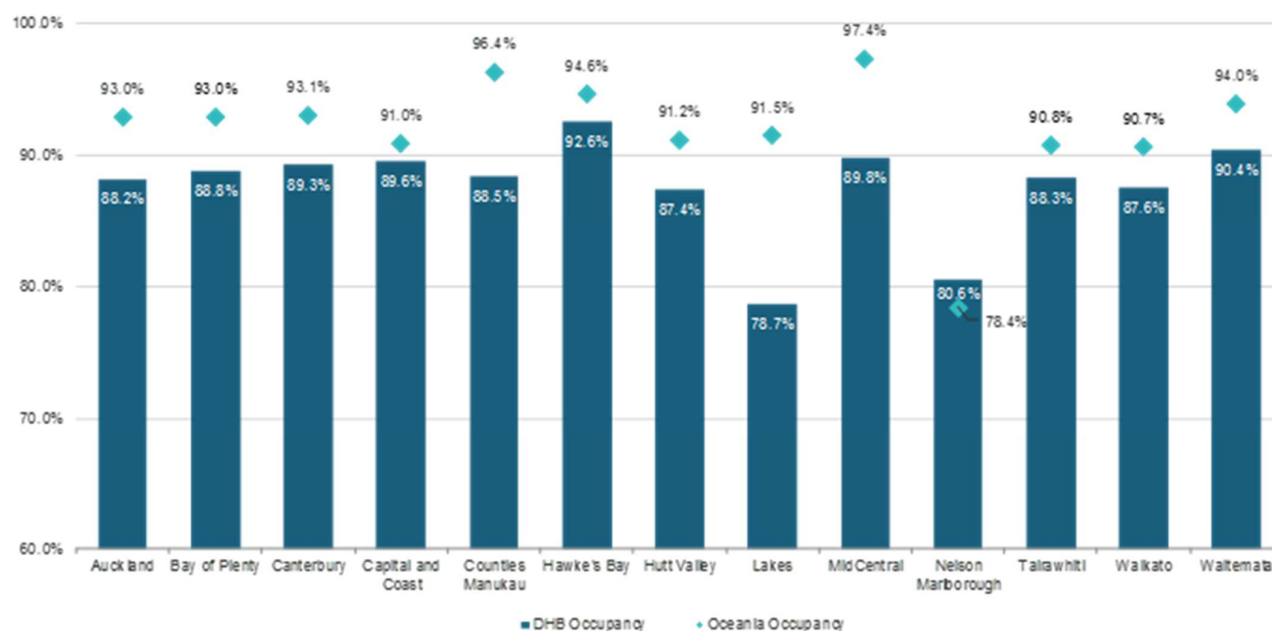
Industry occupancy rates have increased from 87.1% in the quarter ending September 2013 to 88.0%¹⁸ in the quarter ending September 2016, driven by faster growth in demand than supply.

Current industry occupancy rates vary by DHB from 78.7% (Lakes DHB) to 92.6% (Hawkes Bay DHB). Oceania's occupancy rates as at September 2016 are higher than those of the industry in all DHBs except Nelson Marlborough.

¹⁷ Source: CBRE as at February 2017. Fee Increases Based on TLA Maximum Contribution Exclusive of GST. CPAEGR - Compound Per Annum Equivalent Growth Rate

¹⁸ Source: NZACA

Figure 3: Industry Occupancy Rates by DHB^{19,20}



4.3. InterRAI

International Residents Assessment Instrument (InterRAI)

InterRAI is an electronic assessment tool designed to improve the care of elderly people in residential care facilities by providing a standardised methodology for consistency of assessment.

As of July 2015, the MoH enforced mandatory use of InterRAI in all New Zealand aged care facilities. InterRAI has a number of benefits for facility operators including:

- Assurance that admission, assessment and care planning processes meet NZ Health and Disability Standards and are based on international best practice;
- A reduction in duplication of re-assessments and care planning by stopping the need for separate risk assessments, as assessment information follows the resident;
- A common framework for clinical and management staff;
- The ability to benchmark locally, nationally and internationally; and
- **The collection of high quality data (at no extra expense)**

4.4. Industry Cost Review

The Aged Residential Care Service Review Steering Group (comprising 20 DHBs and the NZACA) commissioned a report in 2010 (which was subsequently updated in 2014) on cost, capacity and service implications of New Zealand's ageing population which found that whilst aged care operators generate sufficient revenues to cover their operating costs, returns over the economic life of the investment under the traditional aged care funding model are often insufficient to achieve a fair return on the capital employed in the construction of the facility.²¹ This has led some operators to introduce PACs to improve the return on capital.

¹⁹ Source: NZACA. Average over the four quarters ending 30 September 2016

²⁰ Includes DHBs in which Oceania operates

²¹ "Aged Residential Care Service Review" (2010) and "Aged Residential Care Costing Review: 2014 Update" (2014)

5. Key Demographic and Macroeconomic Influences

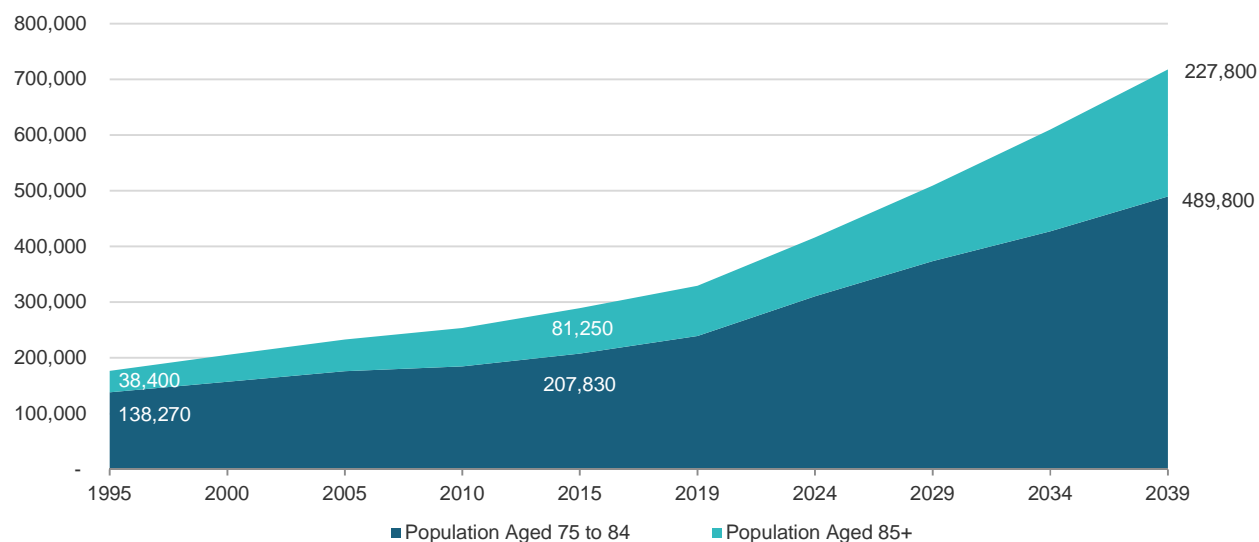
5.1. Ageing Elderly Population

The continuing growth and ageing of the New Zealand population is expected to significantly increase demand for aged care and retirement village facilities. Between 2015 and 2039, New Zealanders aged²²:

- 65 years and over are forecast to increase from 686,450 to 1,301,800 (90% increase);
- 75 years and over are forecast to increase from 289,080 to 717,600 (148% increase); and
- 85 years and over are forecast to increase from 81,250 to 227,800 (180% increase).

Over this period, the proportion of the total New Zealand population aged 65 and over is forecast to grow from 14.8% to 23.5%, whilst the proportion above the age of 85 increases from 1.7% to 4.1%. Significant growth in the 65 to 75 age group began around 2005, with this flowing through to significant growth in the 75 to 85 age group around 2015. This cohort leads to a significant growth in the 85 and over age group by 2025.

Figure 4: New Zealand Population Forecast²³



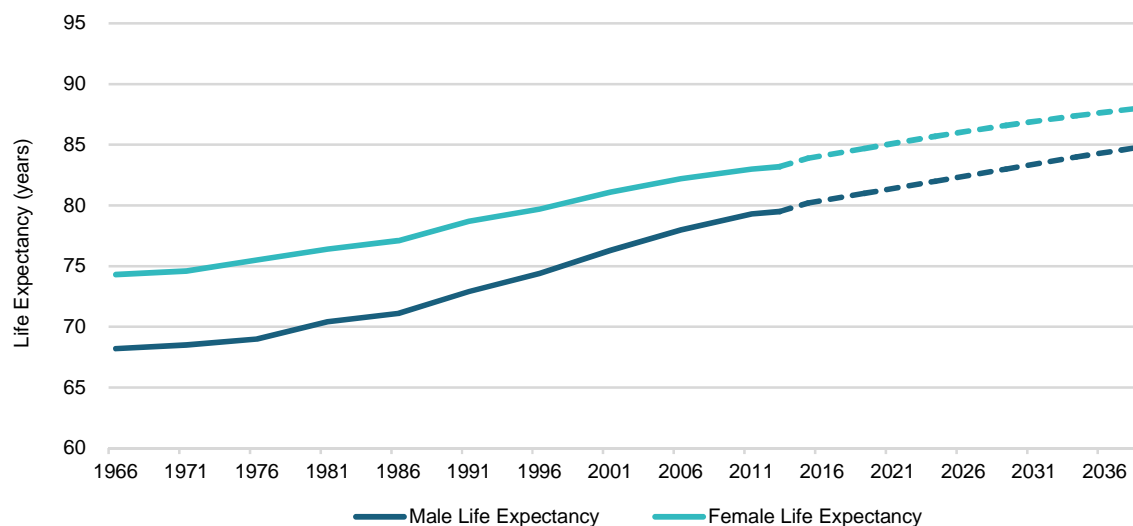
5.2. Life Expectancy

The average life expectancy for both men and women in New Zealand has increased. Since 1966, the average life expectancy at birth for females has increased from 74.3 years to 83.9 years, and the average life expectancy at birth for males has increased from 68.2 to 80.2²³ years. This trend is forecast to continue, with female and male life expectancy forecast to reach 88.1 and 84.9 years respectively by 2039.

²² Source: Statistics New Zealand

²³ Source: Statistics New Zealand

Figure 5: Life Expectancy of New Zealanders²⁴

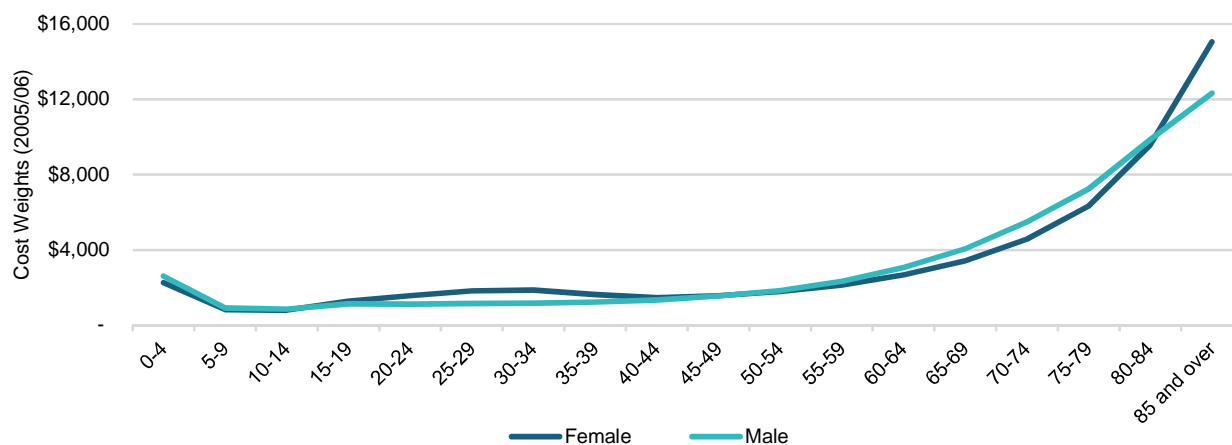


As women tend to outlive men by approximately four years on average, facilities that offer a continuum of care allow couples to continue to live within the same facility despite markedly different care requirements.

5.3. Health Care Costs

Expected health costs increase significantly with age, increasing exponentially after the age of 70. With the projected demographic driven cost increases faced by DHBs, aged care facilities are likely to become increasingly important providers of care.

Figure 6: Health Care Costs by Age²⁵



5.4. Residential House Price Inflation

Typically, the price of a retirement village Unit is benchmarked to prices of similar sized and aged houses or apartments in the surrounding suburbs, as these are commonly sold to fund the ORA.

²⁴ Source: Treasury

²⁵ MoH

New Zealand house price growth has been strong over the past decade, with the median price increasing from \$323,025 to \$522,800, a compound annual growth rate of 4.9%, driven particularly by a CAGR of 9.6% from 2012 to 2016²⁶. National house price growth has been underpinned by significant growth in the Auckland region, where median house prices have increased from \$479,539 to \$992,350, a compound annual growth rate of 7.5%. There has historically been a lag in the House Price Index (HPI) between Auckland (which leads) and other areas of New Zealand, particularly Other North Island (which lags).

Figure 7: Stratified Median New Zealand House Price²⁷

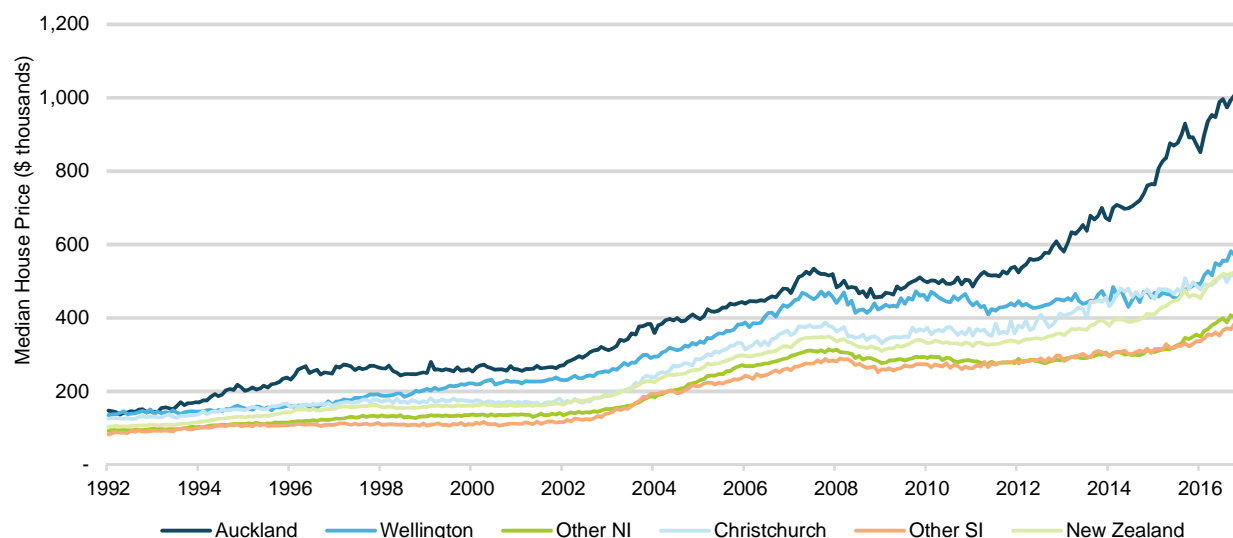


Figure 8: New Zealand Historic House Price Growth

Period CAGR	Auckland	Wellington	Other NI ²⁸	Christchurch	Other SI ²⁹	New Zealand
1992 - 1997	12.8%	5.0%	6.4%	5.6%	5.7%	8.3%
1997 - 2002	0.2%	6.0%	1.3%	0.5%	1.2%	1.2%
2002 - 2007	11.6%	13.6%	17.1%	16.0%	17.3%	14.4%
2007 - 2012	2.3%	0.4%	(0.5%)	1.4%	1.4%	0.8%
2012 - 2016 ³⁰	13.8%	6.0%	7.1%	5.8%	6.2%	9.6%
Last 10 years³⁰	7.5%	3.3%	3.4%	3.2%	3.5%	4.9%
1992 - 2016³⁰	8.0%	6.1%	6.1%	5.7%	6.2%	6.7%

Several factors have been supportive of house price gains in recent years, particularly in Auckland, including:

- Strong net migration;
- Low interest rates;
- Demand pressures coming from the destruction of Canterbury housing stock as a result of the 2010 and 2011 earthquakes;
- Increased building activity, where new stock is of higher quality and being sold above historical median prices; and
- A backdrop of an Auckland region under-build.

²⁶ Source: Real Estate Institute of New Zealand (data to December 2016)

²⁷ Source: Real Estate Institute of New Zealand (data to December 2016)

²⁸ Other North Island is regions of the North Island outside of Auckland and Wellington

²⁹ Other South Island is regions of the South Island outside of Christchurch

³⁰ Ending December 2016

Figure 9: Net migration and National House Prices³¹

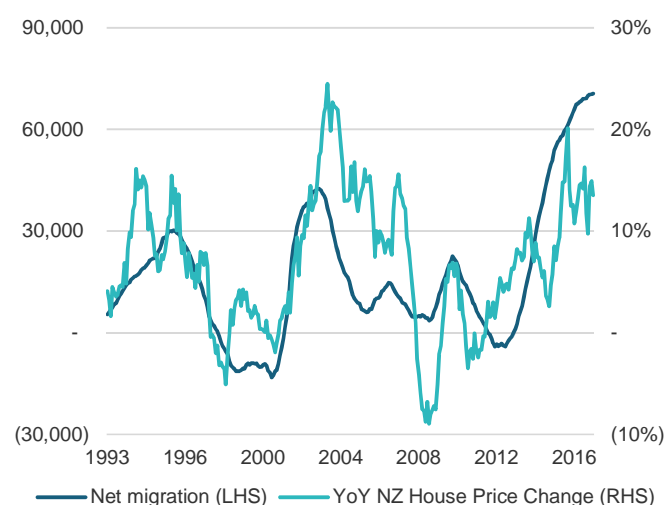


Figure 10: Effective Mortgage Rate³²



In addition to these fundamental demand factors, the supply response has been relatively muted, with the Government suggesting it takes around eight years for the housing market to respond to demand³³.

In October 2016 the Reserve Bank of New Zealand introduced a nationwide requirement for a minimum 40% deposit on no less than 95% of any given bank's investment lending on residential property, in order to moderate national house price growth.

Whilst the prices of retirement village Units are correlated to local HPI, there are factors specific to the pricing of Units which differ from the wider housing market. The purchase decisions for retirement village Units are more needs-based than those of the wider housing market. Retirement villages with a co-located aged care offering tend to attract older residents with a greater need for care, leading to increasingly defensive characteristics as the level of care rises. In addition, at greater levels of care the influence of sector demand and supply dynamics become more important determinants of price (than the HPI of the broader market).

³¹ Source: Real Estate Institute of New Zealand

³² Source: RBNZ Data, December 2016

³³ Source: Speech on Housing Affordability by the Minister of Finance, Bill English (29 September 2015)