

Pride
Aged Living

Accommodation Capital & Financial Sustainability

White Paper on Accommodation Strategy for Residential Aged Care

19 November 2026

Take pride in your success

Contents

1	Executive Summary	3
1.1	Key findings for boards	4
2	The deferred sector decision	5
3	Testing the local market	7
4	A capital decision, not a pricing one	8
5	What the board must decide	9
6	The Pride Aged Living Accommodation Capital Framework	12
7	Placing each home: market position, consumer value and yield	13
7.1	What drives room values	14
7.2	Setting the yield target and choosing the levers	16
7.3	Test the room before you build it	17
7.4	Plan for the refurbishment period	18
8	Where to start	19
9	Our experience	20

1 Executive Summary

Many aged care providers set accommodation prices by reference to nearby homes or the minimum increase needed to break even. That leaves too little capital available to support buildings residents will still need in thirty years. Charging less may feel benevolent, or safer than risking occupancy, but a price that ignores future capital needs leaves the next board with a problem it will have fewer options to solve.

Accommodation optimisation is a strategic capital decision: what each home can earn, what it will cost to keep it fit for purpose, and how the provider will fund the difference.

Boards should address three decisions at each home:

1. Test each home's accommodation income against the cost of maintaining, refurbishing and eventually replacing it. Use competitor prices to test the market and identify how the next decade of capital expenditure will be funded.
2. Set a target clinical case mix, lifestyle offering and supported-resident mix for each residential aged care facility. Align these with the building layout, cost and an efficient operating model, rather than letting these inputs resolve organically.
3. Model the payment choices residents can make. The agreed accommodation price determines the RAD and corresponding DAP; residents may choose either or a combination. Room-price tiers and a suitable investment policy can improve cash flow, but the provider must also allow for refunds, liquidity and the capital tied up in the building.

Each of these is a board decision, not an administrative one. Setting a compliant room price is the easy part. The harder question is whether that price will fund the home's next refurbishment and eventual rebuild. Boards that leave it late find out when the capital works fall due: the RADs have already been taken at the old price, the cash is committed, and the remaining options are borrowing, deferring the works or selling the home.

Accommodation pricing is one element of an overall Capital Management Strategy, guiding capital investment and replacement, consumer value and operating-model decisions.

Competitor pricing and local property values are useful tests of affordability and market position, but they are not the primary anchor.

The primary financial anchor is the cost of maintaining, refurbishing, rebuilding and operating a safe, contemporary and staffable aged care home.

1.1 Key findings for boards

The findings below draw on public data, current policy and our accommodation work with providers. Boards need to connect pricing with the capital plan for each home. Competitor comparison and annual CPI adjustments help inform the decision, but cannot establish whether future works are funded.

Finding	Why it matters	What the board should do
Test price against future capital needs	A competitive room price may still leave too little to maintain or replace the home	Commission a replacement-cost and lifecycle-capex review, facility by facility
The $789,686 threshold is not a strategy	From 1 July 2026, it is the price point above which IHACPA approval is required - not a target	Set the right price first, then decide whether approval and evidence are needed
Payment architecture changes the economics	The agreed price, resident payment choice, eligible retention and use of RAD funds affect cash flow	Model cash yield, liquidity, refund risk and resident affordability together
A building that maximises beds can be the wrong home	Facility design and bed yields that ignore the operating model raise staffing costs, supervision risks and daily-living complexity	Test every development plan against a workforce and care model before approval
Resident mix is a strategic setting	Mission, supplement tiers, occupancy risk and private-pay depth differ by home This question is addressed differently in regional and rural settings than in metro areas	Set a supported-resident policy per home, not as a portfolio average Set a cost and amenity level that matches the resident mix at each site, rather than trying to make an organisational standard work in every location
Every upgrade should earn its yield at that home	A standard design can cost more than a particular home can recover from its market	Approve renovation and upgrade business cases on the cash yield each home can earn from its own market and payment mix. Maintain older buildings where major upgrades do not justify their cost; plan replacement or transition before the building becomes unsuitable

2 The deferred sector decision

Every board in the sector knows that demand is coming. What fewer boards have tested is whether the buildings they run today can still be funded, staffed and lived in when it arrives. For over a decade, we have priced accommodation against the provider down the road or lifted RADs just enough to reach break-even.

The Financial Report on the Australian Aged Care Sector (FRAACS) recorded about 204,000 residential care residents in June 2025, across 2,590 services with about 224,000 operational places. Its projection reaches about 412,000 residents by 2045, an average increase of around 10,400 a year. The average age of entry into aged care varies across Australia, and demand will not rise evenly across years or regions. Providers need to test local need, occupancy and the condition of existing stock before deciding where to add capacity.

StewartBrown's FY26 survey, the most recent sector data (twelve months to 30 June 2026, 1,157 homes), reported an average accommodation loss of $13.91 per bed day and an operating loss of $12.98, against $12.05 and $3.10 in FY25. The share of surveyed homes recording an operating loss rose from 55% to 65%, even with occupancy at 95.1%, the strongest result in several years. The government's 2024–25 FRAACS, a different dataset, reported a smaller accommodation loss of $9.19 per resident per day; the two are not a like-for-like comparison. The reported accommodation result also omits the full financing benefit of RADs. The pressure on capital renewal needs to be tested through each home's cash flows, including its use of refundable deposits.

In 2024–25, the FRAACS care result was positive at $22.34 per resident per day, alongside losses of $7.55 in everyday living and $9.19 in accommodation. StewartBrown's FY26 data shows that cushion thinning: the average direct care margin fell 82%, from $16.07 to $2.84 per bed day. A provider relying on one stream to support another should make that allocation explicit and test whether it can also fund future capital expenditure.

The price that never moved.

In strategic planning and feasibility reviews, we ask whether the cash return from each property is enough to support its capital plan. A low return can reflect restrained prices, an expensive operating model, an ageing building or a deliberate mission commitment.

The board needs to know which explanation applies. Set the required return against the remaining life of the building, the works it needs and the value residents receive. Neither market valuations nor historical construction costs can determine a forward investment decision on their own.

**Cash yield is annual net cash return divided by the stated capital base, expressed as a percentage. Define whether the return is before or after maintenance capital and financing, and use the same basis throughout.*

The government has responded to accommodation pressures through its May 2026 Budget response to the Independent Review. Eligible new and expanded homes can receive capital payments from January

2027. Those payments improve the case for eligible projects; they do not replace a home-level assessment of cost, income and financing. But this may not be enough.

This paper is about the decision most providers have deferred - and how to make it before it is made for you.

Demand is projected to rise to about 412,000 residents by 2045.

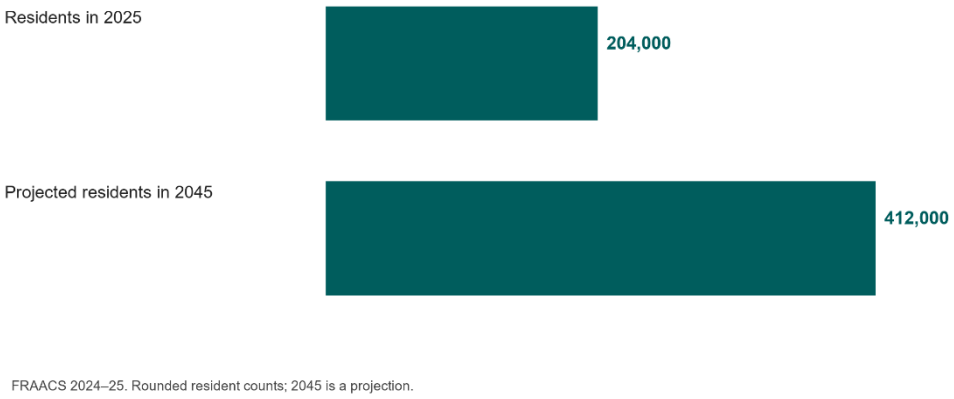


Figure 1: Residential care residents in 2025 and projected demand in 2045

Source: DoHDA, Financial Report on the Australian Aged Care Sector 2024–25, residential care demand projections. Rounded figures; projections are not bed-capacity targets.

The projected increase is about 208,000 residents over twenty years. New capacity will be needed alongside refurbishment and replacement of existing homes. The timing and location of investment should follow local demand, workforce capacity and the condition of the buildings already serving that market.

Reported accommodation deficits need to be read alongside the financing benefit of RADs.

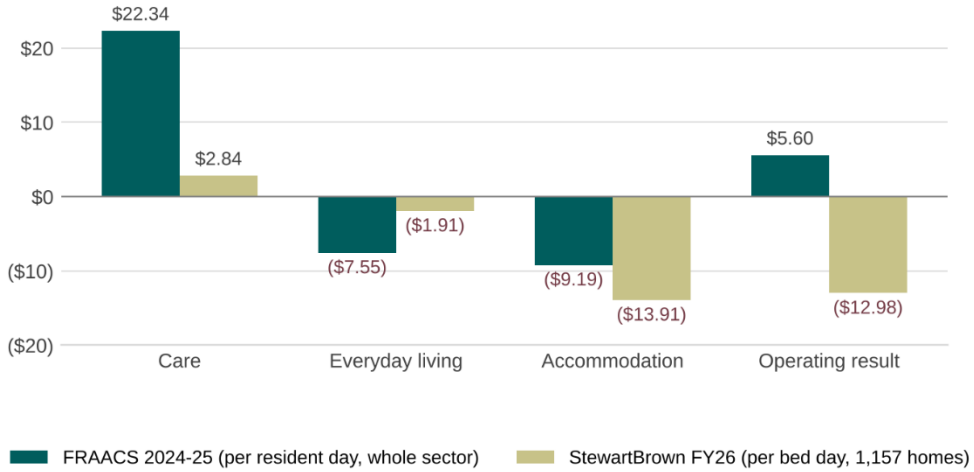


Figure 2: Results by funding stream, FRAACS 2024-25 and StewartBrown FY26

Sources: DoHDA FRAACS 2024–25, results by funding stream; StewartBrown Aged Care Financial Performance Survey, twelve months to 30 June 2026 (Sector Report and Residential Summary Report). Different samples and periods. FRAACS total shown is the sum of the three streams, excluding non-recurring items.

Both StewartBrown FY26 and FRAACS FY25 report accommodation deficits, using different samples and measurement bases. StewartBrown excludes investment income from its reported operating result. Its alternative imputed-DAP calculation adds $51.52 per bed day to accommodation, changing the result from −$13.91 to +$37.61. That adjustment values the financing benefit of RADs; it is not additional cash received. Neither measure alone establishes whether a home earns enough to meet its full capital needs. StewartBrown's own investment test points the same way. Average operating EBITDA fell from $6,817 to $3,710 per bed a year in FY26, well short of the $20,000–$22,000 that StewartBrown puts as the threshold for investment (a 4.0%–4.4% return on a $500,000 replacement cost per bed). First-quartile homes, at about $15,500, also sit below it.

StewartBrown's FY26 survey covers 1,157 homes and about 98,000 places. Participation is voluntary and individual homes are not named. We use it as a peer reference for costs and reported margins, then build a local view from each home's advertised prices, room types and offer. Comparisons should allow for size, location, resident mix and the accounting treatment of property and financing.

3 Testing the local market

Since 2022, property values in Western Australia, South Australia and Queensland have outpaced construction costs.

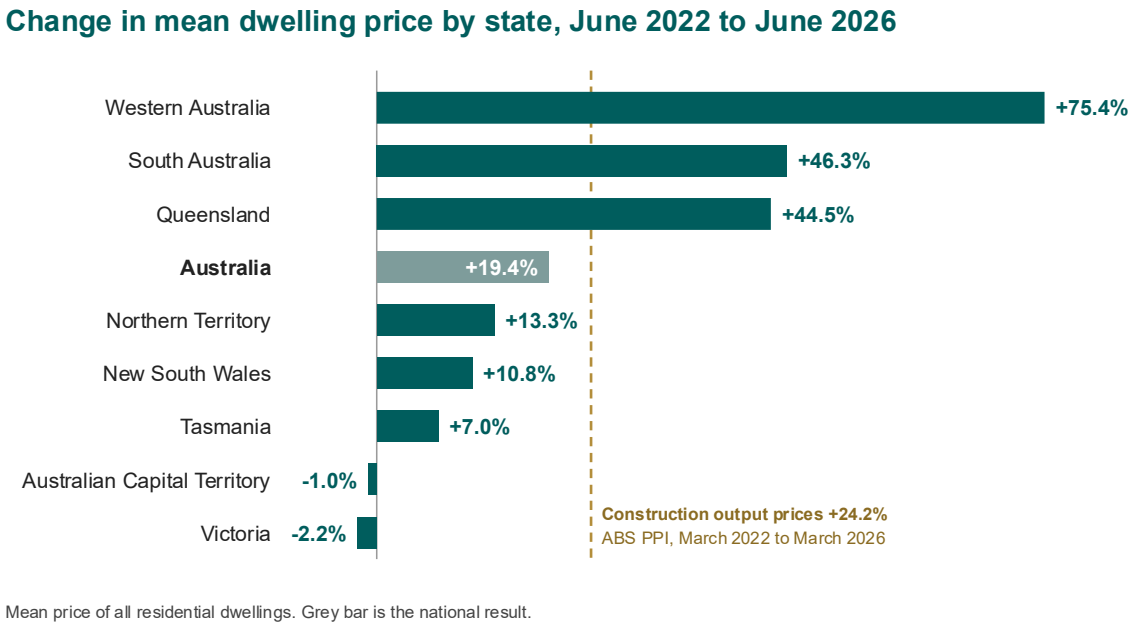


Figure 3: Change in mean dwelling price by state, June 2022 to June 2026, against construction output prices

Source: ABS, Total Value of Dwellings, June Quarter 2022 and June Quarter 2026 (mean price of all residential dwellings, as published); ABS, Producer Price Indexes, building construction output, March 2022 to March 2026. State averages; local markets vary.

Between June 2022 and June 2026, the ABS mean dwelling price rose 19.4% nationally. It rose 75.4% in Western Australia, 46.3% in South Australia and 44.5% in Queensland, well ahead of the 24.2% rise in construction output prices. Victoria (−2.2%) and the ACT (−1.0%) fell, and New South Wales (10.8%) and Tasmania (7.0%) rose by less than construction costs. Where property values have outpaced construction costs, residents' capacity to fund accommodation has generally grown faster than the cost of the rooms

they are buying; where values have lagged, it has not. Values have fallen in most capital cities since March 2026, so the gap should be retested with current local data.

House-price movements and accommodation prices can differ within the same state. We compare current prices for the home's own catchment and a consistent set of room types. This is compared with the value offered behind each price, and we also distinguish advertised prices from the amounts residents have agreed to pay. A state average cannot establish the price a particular home can achieve.

A higher local house price may support a wider range of accommodation choices, but it is not evidence that every resident can pay more. Within the same planning region, there can be big differences between the quality of homes, enquiry conversion rates, and resident payment behaviour. These all impact the potential value of a room price increase.

The premium home priced like an average one.

One of the most common patterns we see is a genuinely superior home, larger rooms, better design, specialist dementia support, priced within a few thousand dollars of a plainer home down the road, because competitor comparison has, over time, become the main frame of reference rather than the superior home's cost and value proposition.

The board had built something better and then, without quite deciding to, stopped charging for it.

Repricing to reflect what the home actually offers, tested against what local families can afford, is not opportunism. It is what funds the next home built to that higher standard.

4 A capital decision, not a pricing one

Start with the capital needed to keep the home fit for its intended purpose over its remaining life. Today's replacement cost is a useful reference for a new-build alternative; it is not a price target for every older room. The investment case should allow for future refurbishment, the return required on new capital and the building's residual value, without counting the same capital recovery twice.

Scope matters, and pricing should reflect this. A home without specialised dementia wings, with simpler layouts and fewer activity and break-out spaces, legitimately carries a lower capital-recovery requirement than a purpose-built modern facility. Pricing both based on a premium home would be incorrect. The discipline is to know what your asset actually is and to price for that - not to drift to the local average because it is the easiest number to defend.

Residents should be able to see the value behind the price. A provider seeking a higher return needs to test whether its accommodation offer and local demand support it. Where the required return is beyond what the market can pay, the board must change the scope, identify another source of funding or reconsider the future use of the asset. There is also the option to renovate and improve the facility to meet the expectations of the local market, which requires careful consideration of the net benefit that can be realised from additional investment.

ABS building construction output prices rose from 129.7 in March 2022 to 161.1 in March 2026, an increase of about 24%. That is a historical index movement, not a project estimate. A current quantity-

surveyor cost plan is needed to assess the works, site conditions, professional fees and other costs of an individual development.

A $550,000 benchmark at March 2022 prices would be about $683,000 at March 2026 prices if it moved with that index. This is a screening comparison, not a recommended room price. Where accommodation income has fallen behind capital needs, the board must decide how the difference will be funded.

The same building-cost benchmark is about 24% higher than in March 2022.



Figure 4: Building-cost index movement and its effect on an illustrative benchmark

Source: ABS Producer Price Indexes, building construction output, March 2022 and March 2026. The $550,000 starting benchmark is an assumption.

Figure 4 isolates construction-price movement over one consistent period. Local accommodation prices should be tested separately using matched dates and comparable room groups.

Priced for 2010, operating in 2026.

Consider a home built at about $300,000 a room in 2010. Matching today's new-build cost of $600,000-plus would be neither achievable nor fair to current residents if the building itself hasn't changed. But pricing it as though it were still 2010 ignores sixteen years of refurbishment, compliance upgrades and rising running costs the room still has to recover.

For a significantly older home, we assess the works still required and the cash they can generate over its remaining life. Do not automatically treat historical expenditure as a new cost to recover. Make any contribution to future replacement or portfolio growth an explicit capital-allocation decision.

5 What the board must decide

The goal is not to collect the largest possible RAD pool. It is to set an accommodation price and payment architecture that generates a sustainable yield - a return on the capital tied up in each building that funds its future. Seen this way, accommodation is a yield question, and it has three disciplines behind it.

Pricing and payment architecture

The agreed accommodation price sets the RAD and the corresponding DAP. Retention applies to the actual eligible refundable balance. Model the payment choices residents may make alongside investment returns, avoided borrowing costs, liquidity and refund obligations.

Balance-sheet and liquidity management

A yield is only real if the capital behind it is working. Cash reserves and property both need return thresholds, and surplus RAD funds should be both:

- Available and in the bank when needed to fund development, meaning dynamic attention to DAP/RAD ratios in the lead-up to development works; and
- Deployed when the asset needs them rather than held idle as a defensive comfort to otherwise mitigated repayment risk.

An evaluated liquidity approach may support a different capital allocation where it meets the applicable requirements. It does not automatically release cash: the board must still fund refunds and its approved risk buffers.

Reinvestment

A sustainable yield assumes the asset is kept worth paying for - frequent, proactive investment in building design, service scope and operating efficiency. A home that stops reinvesting eventually cannot justify its price, and the yield erodes from the top line down. A home that overinvests will never get in front of the recovery curve.

One upper limit sits across all three disciplines: the yield target must be achievable. This has two elements:

- The price cannot exceed what the local market and supported residents can afford to pay.
- The value for residents, rather than the cost to the provider, needs to be demonstrable and tailored to the local market.

A home that faces a cap on the value attached to a room price by local residents will need to limit the cost of future renovations and refurbishment work to a dollar figure that supports a sustainable yield on that capped price.

The supported-resident mix changes accommodation economics because the revenue pathway differs from a private-pay room; there is no universal optimal ratio, and it should be set on purpose at each home rather than emerging from admissions pressure.

The operating model must be tested alongside the building: a development that maximises bed numbers can still be the wrong asset if it cannot be staffed efficiently, impedes efficient delivery of daily living supports, or has the wrong mix of amenities to justify its price to prospective residents.

Design and yield are the same conversation.

In this illustration, payment method changes annual cash receipts by about $14,000.

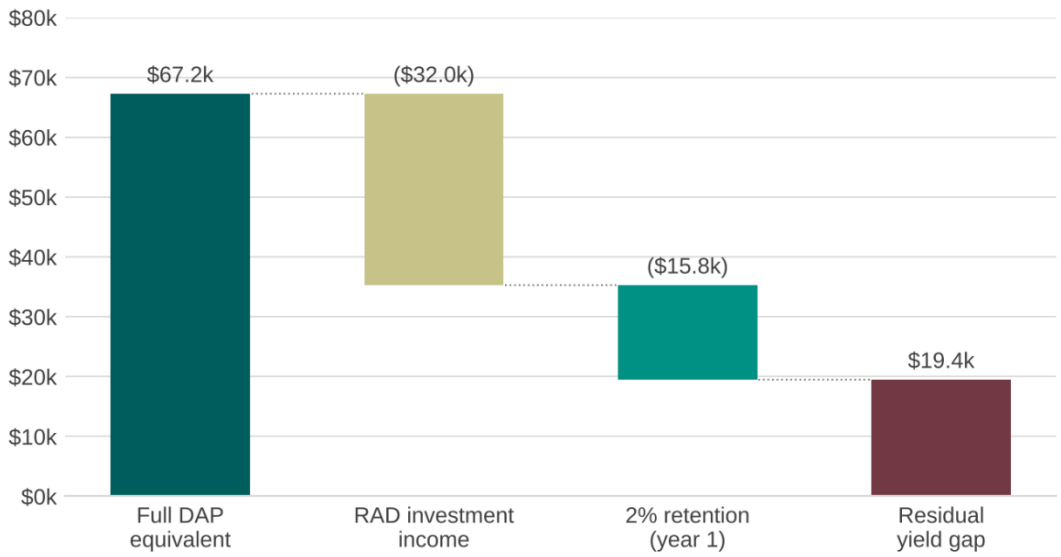


Figure 5: Illustrative first-year DAP receipts and RAD investment income plus retention

Source: Pride Aged Living payment-mix example, using historical Term Deposit yields to generate RAD investment income. Room price $789,686; MPIR 8.51% for October–December 2026; 90% of RAD invested at 5.3% (big-four bank one-year term deposit rates, November 2026); simplified first-year retention. Figures rounded.

In the above chart, we compare DAP income against the 'traditional' RAD investment model of investing the funds in a term deposit.

At the current maximum accommodation amount, the full-DAP equivalent is about $67,000 a year. In this illustration, investing 90% of the RAD at 5.3% produces about $38,000, with approximately $16,000 of first-year retention, or $53,000 combined. The difference of about $14,000 reflects those assumptions. It does not establish underpricing or account for the value of using RAD capital to avoid borrowing. Retention is limited to eligible balances and up to five years.

Payment choice is shifting. In StewartBrown's FY26 survey, 32% of incoming residents paid a full RAD, down from 37% in FY25; 42% paid a full DAP and 25% chose a combination. A home that plans on full RAD receipts may collect less capital per admission than it expects. Test the payment-architecture lever against the home's own admissions data and its liquidity needs.

A supportive provider investment policy will compare cash investments with other permitted uses of capital, including the cost of borrowing avoided when used to build new facilities or wings. Any higher expected return must be assessed alongside investment risk and the need to repay residents on time.

Full RADs, deferred capex.

We often meet providers holding a healthy RAD pool and a growing maintenance backlog at the same time. For some, the reserves have simply never been given a yield threshold, so cash and property are both sitting below the return they should earn. For others, the balance has become almost a talisman - held against the fear of not being able to refund a departing resident, rather than managed as working capital.

Either way, a strong RAD balance is not the same as a sustainable yield. The question is not how much you hold, but whether it is earning its keep and deployed when the asset needs it.

6 The Pride Aged Living Accommodation Capital Framework

Most pricing reviews start with one of three misleading questions: what is everyone else charging, what were we charging last year, or what has happened to average house prices in our area?

Each of these starting positions carries assumptions that can lead to pricing missteps. What if everyone else has their pricing wrong, or is waiting for someone else to move first? What if the providers near us have different buildings and development timelines? What if our value proposition is misaligned with local expectations, or we set prices incorrectly at the start?

The Pride Aged Living framework starts with a harder question:

What would it cost to keep this home standing, safe and staffed for the next generation of residents, and does the current price fund that?

Competitor prices, median property values and price per square metre are all useful - but as tests, not as the answer.

The framework triangulates three things a board can defend.

1. The capital that must be recovered: what it costs to maintain, refurbish and eventually replace the asset, calibrated to the actual asset.
2. Consumer value being offered: the whole home a resident buys access to, not just the floor area of one room.
3. Affordability: what the local market can afford and understand, tested against validated housing and catchment data for the residents whose needs and preferences the facility is designed to meet.

A fourth discipline sits underneath: local testing. This compares the provider's current RADs, competitors' RADs, local property movement and construction-cost movement over the same period. The purpose of this last section is not to make property values the anchor, but to test whether the board aligns capital investment, consumer value, and local market explanations with the prices it has set.

A decade of caution - underpinned by surplus care subsidies and interest-free resident deposits - has taught many boards to anchor on consumer outcomes and local affordability, then hope the capital question looks after itself. It does not.

The gap we see most often is a home that is locally affordable, competitively priced, and slowly falling behind the cost of its own future.

The second most common gap is a facility investing in upgrades and renovations that may be standard features across the provider's other sites but are unlikely to be supported by future yields. The pricing framework needs to identify those gaps early - while the board still has options, and before the only option left is to charge tomorrow's residents for yesterday's under-pricing.

7 Placing each home: market position, consumer value and yield

Every home is built and run for a market position, whether or not the board chose it. We use three: Essential, Mid-range and Premium. The position is a finding, not a label, and the board should be able to see the evidence behind it.

The best-performing homes have every setting pointing at the same position: the residents they admit, who pays, the room, the price, the everyday living offer and the staffing model. A misaligned home tends to earn like its weakest setting and spend like its most expensive one. We have found that some regional and remote facilities that lack opportunities to align their model of care around a specific model of care face limits on how much they can invest in future capital works because they have a cap on the yield achievable at that site.

StewartBrown's FY26 first quartile earns about $26 per bed day, while the bottom quartile loses about $62. Revenue is relatively close, at about $455 and $451, respectively. New full RADs average about $545,000 in the first quartile and $594,000 in the bottom quartile. Higher RADs do not guarantee a stronger result. A deeper dive into the causes will need to consider location, resident mix, costs and property arrangements.

The quartiles differ by about $88 per bed day; higher RADs do not guarantee a stronger result.



Figure 6: Operating result, accommodation margin and average new full RAD by performance quartile, FY26

Source: StewartBrown Aged Care Financial Performance Survey, twelve months to 30 June 2026, Residential Summary Report (1,157 homes; quartiles of about 280 homes each, ranked on operating result).

7.1 What drives room values

We assess each facility using five tests. The first two describe what the home cannot change quickly, so they set its anchor position. The other three show whether price, offer and operations line up with that anchor.

Test	What is measured	What it tells the board
1. Catchment and cohort (anchor)	Local house values against the region, home ownership among people aged 70 and over, the area's socio-economic profile and the likely supported-resident pool	Who the home can realistically serve, and the lower and upper affordability band for its accommodation
2. Room product (anchor)	A consumer value score for each room group: room quality, shared spaces, amenity, building age and condition, and resident and family reviews, validated on site	What the home can sell today, compared with its competitor set
3. Price position	Advertised prices against comparable room offers and the local affordability assumptions; agreed prices where evidence is available	Whether price is ahead of, in line with, or behind the offer

Test	What is measured	What it tells the board
4. Market sophistication	Share of rooms priced above the maximum accommodation amount, price spread, price tiers per home, everyday living packages, and how closely price follows value	How much evidence a price move needs, and how quickly the local market will accept it
5. Operating discipline	Occupancy, care minutes against target and administration cost	The same standard applies in every position. Premium does not justify higher overheads

If the catchment and the room product point to different positions, that is the headline finding: either the building was designed for a market the catchment no longer presents, or the catchment has moved ahead of the building. Every other setting is then read against what the building can offer today. A room price or everyday living offer below the anchor gives revenue away. Staffing or hotelling costs above it spend money the revenue cannot carry. Capital invested above the price recovers nothing.

The scoring weights and thresholds behind each test are calibrated market by market as part of a home-level review.

Two separate tests are then applied to every price.

- Provider tiers describe the accommodation offer and prices in the market being assessed. They are separate from the Essential, Mid-range and Premium positions used in our framework. Their boundaries should be set locally, not treated as national price categories.
- An affordability band is a screening assumption, and rarely a complete fit for aged care resident cohorts. For example, applying 55%–80% to an assumed local house price of $850,000 gives a band of about $470,000–$680,000. It does not measure how many 80+ year olds can afford a room. Mortgages, a partner remaining at home, other assets and daily-payment affordability can change the position.

Every price point a home plans should sit inside its own local affordability band, or the board should know which wider catchment it is relying on.

A price above the market line is a bet that the offer will catch up.

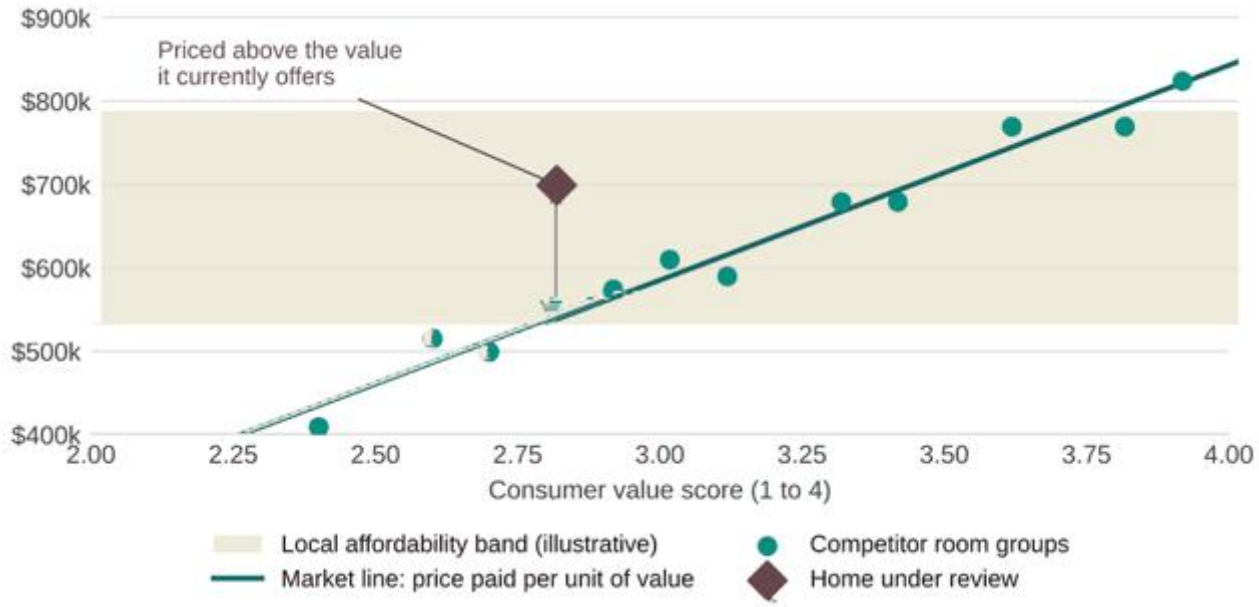


Figure 7: Price against consumer value in a local market (illustrative)

Source: Pride Aged Living assessment method. Hypothetical data for illustration only; the points, market line and affordability band are not drawn from any real market.

Figure 7 shows how the tests come together. Each point is a competitor room group. The line shows what the local market pays for each step in value, and the shaded area is the local affordability band. The home under review sits inside the band but above the line: it is charging for value it does not yet offer. That premium usually rests on location, brand or an established community, and it is exposed as newer stock opens nearby. The market line helps identify comparable offers, but does not by itself establish the price residents will agree to pay. Check enquiry conversion, occupancy and actual payment behaviour before committing works against a proposed uplift.

7.2 Setting the yield target and choosing the levers

The board sets a return target against the capital relevant to each decision. For new works, test incremental cash flows, the period before further refurbishment and residual value. For the existing home, assess the cash available for its lifecycle capital plan. The five levers below help identify what can change and the constraint on each. The capital base also needs a realistic life. StewartBrown reports that more than half of surveyed homes depreciate buildings over 40 years and suggests 25 years is more realistic for capital planning. On the shorter life, the annual capital charge is 60% higher.

A truly useful figure would be the lifecycle capital cost, including initial construction, planned renovations and refurbishments, and decommissioning at end of life. This would determine the lifetime yield required from operations to fund the capital cost and put the provider in a good position to refund 100% of RADs to departing residents when the building is no longer usable. Most facilities were not designed to have this sort of planned lifecycle. We recommend that providers draw up a 10-year capital forecast for each facility when building a yield target that is sustainable across the medium term.

Lever	How it is sized	The test it must pass
Price	Movement toward the price the market line and the affordability band support	Stays within the affordability band. A price above the maximum accommodation amount needs IHACPA approval
Payment architecture	Change in the DAP, RAD and combination mix, with the retention and investment yield on RADs held	A smaller RAD pool must still meet the minimum liquidity requirement
Occupancy	Additional occupied days at current prices and supplement	Discipline standard: first-quartile homes run at 96.2% occupancy (StewartBrown FY26)
Capital works	Incremental cash from achievable price and operating changes, after works costs and disruption	The achievable price uplift must exceed the break-even uplift
Resident mix	Change in the supported ratio, valued at the gap between private-pay yield and the accommodation supplement	A mission decision, approved home by home

Price alone rarely closes a large gap. Where the price needed to reach the target sits above what the market supports, the board has three choices: combine levers, reset the capital it expects the home to recover, or accept the shortfall as a funded mission decision.

Results are measured after each change and reported quarterly: price achieved against the published price, time to fill a vacancy, the payment choice of new residents, enquiry conversion, occupancy, and the consumer value score re-assessed after works.

7.3 Test the room before you build it

Design and price have to be tested together. Test each financial assumption against the building before it is funded: whether staffing savings are supported by sightlines and travel distances, whether food-service savings are supported by the kitchen and servery arrangements, which rooms are lost or gained, and what staging the works need. Pride Aged Living applies a commercial test in our models: what the upgraded room will sell for, and whether that recovers its cost before the next refresh.

Design step	Commercial step
Existing room assessment	Room pricing check: achievable price uplift and payment mix
Design and costed proposal	Return test: break-even uplift against the cost plan, by payment scenario
Evaluation framework	Pricing measures (price achieved, time to fill, payment choice, enquiry conversion), then an IHACPA application or price publication

Timing of renovations is between 7 and 10 years. A $50,000 upgrade to a $650,000 room needs a price increase of about $91,000 under a full-DAP scenario to recover the works and four weeks of lost accommodation income over seven years. With 90% of a RAD invested at A term deposit rate (currently 5.3%), the required room price increase is about $157,000. Figure 8 compares the scenarios on a simple, undiscounted cash-recovery basis. The resulting prices are about $741,000 and $807,000 respectively, and the second exceeds the current $789,686 approval threshold.

In this illustration, a $50,000 upgrade needs a price increase of about $91,000–$157,000.

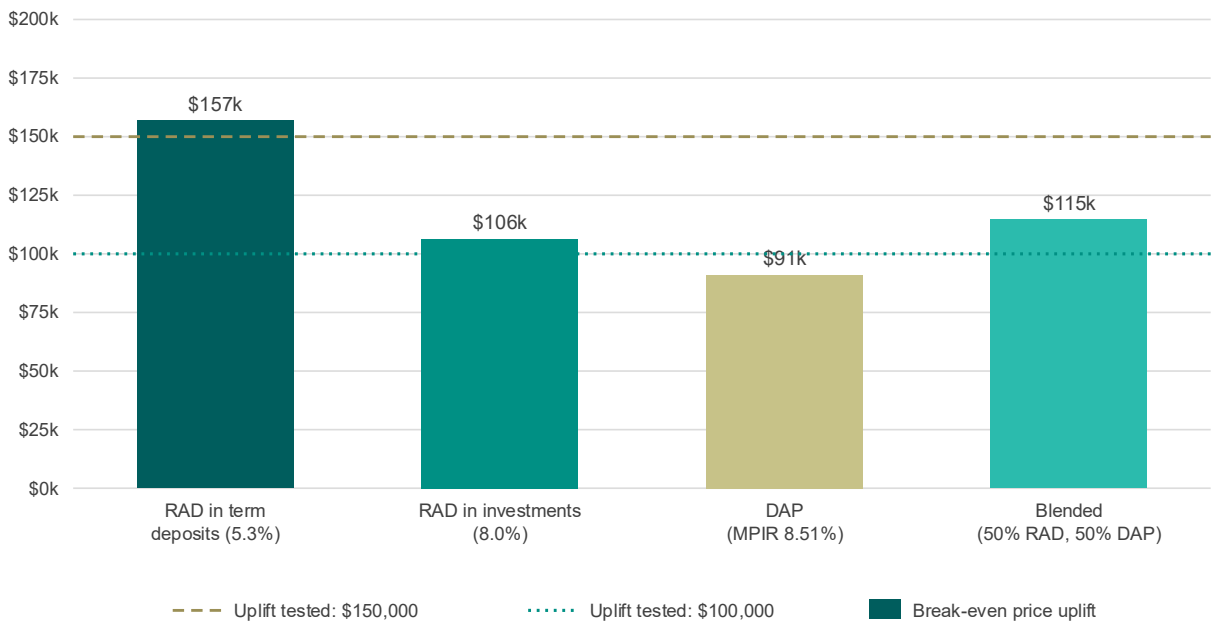


Figure 8: Price increase needed for seven-year simple cash recovery of a $50,000 upgrade

Source: Pride Aged Living recalculated illustration. $650,000 starting price; four weeks of lost accommodation income; fixed rates; 90% of RAD investable. Retention and future DAP indexation excluded. Not a discounted investment return.

The uplift is earned only from residents who pay the higher price. Supported residents, residents already in the room and any gap between published and agreed prices all reduce what a home actually collects, so the achievable increase should be read against the home's own payment mix before the scope is fixed. Where the achievable increase sits below break-even, the board can reduce the scope, target the rooms where the market will pay more, or fund the shortfall knowingly.

7.4 Plan for the refurbishment period

Refurbishment costs include the income lost while rooms are offline. In an illustrative 30-room programme, five months offline per room gives 150 room-months; two additional months per room gives 60. At an assumed $11,700 gross income per room-month, that is about $1.8 million compared with $0.7 million. These are gross-income scenarios, not lost profit. A project model must deduct avoidable costs and allow for normal vacancies, delayed price increases and the full works programme. Turnover-based works can reduce simultaneous disruption, but usually take longer to complete.

Compare room-months offline and the contribution lost under each works programme.

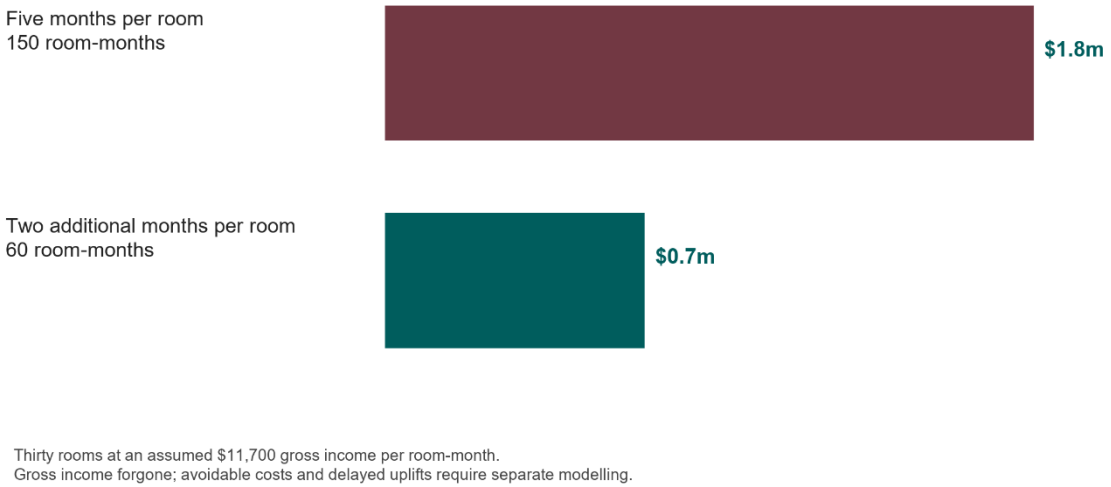


Figure 9: Illustrative room-months offline and gross income forgone

Source: Pride Aged Living scenario. Thirty rooms; five versus two additional months offline per room; $11,700 gross income per room-month assumed. Not a verified project outcome.

Build the approval requirements into the works programme. IHACPA can issue conditional or unconditional approvals. Where conditions apply, the provider must satisfy them and obtain the required confirmation before advertising or charging the approved amount. Evidence should support each room group and its price. Track the agreed accommodation price, the RAD actually paid and the remaining DAP separately; a part-RAD payment does not necessarily mean the resident agreed to a lower room price.

8 Where to start

No provider needs to solve all of this at once, and no board should try. The practical starting point is to test one thing: does the current accommodation price at each home fund that home's future, or is it borrowing against it? For most providers, that single question reframes the pricing conversation, the capital plan and the liquidity strategy at the same time.

A capital and property strategy should give the board and management a shared basis for deciding which homes need investment, what each project must earn and when the decision is required.

Start with the lifecycle cost of each home, its market position and current cash return. Then assess prices, resident payment choice and supported-resident mix alongside the liquidity and capital plan.

The board that waited.

The providers who find this hardest are rarely complacent. Boards and management alike are consumed by the urgent, usually compliance or clinical, with little time left for the business itself. Non-executive boards can be especially at the mercy of that pressure. The real gap is a missing one that wasn't needed in earlier regulatory regimes: a capital and property strategy to align the two, set priorities, then force the timing.

By the time the question arises on its own, some options have already closed – current residents who paid too little, a redevelopment window passed. Starting early rarely commits a board to anything. Waiting often commits it to fewer choices.

9 Our experience

Pride Aged Living works with aged care providers across Australia on accommodation pricing, financial modelling, capital planning and higher RAD applications.

Our accommodation strategy analysis considers nine strategic positions, helping providers understand their current circumstances and the options available.

Contact Pride Aged Living to discuss your accommodation strategy. To discuss how this framework applies to your organisation, contact George at Pride Aged Living.



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Disclaimer:
The information in this paper is provided for discussion purposes. It does not constitute legal or financial advice and should not be relied on as such.

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