PEAK LIVING

RETIREMENT VILLAGE PROFITS: WHY CAPITAL GAINS STILL DRIVE THE SECTOR'S ECONOMICS

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July 2026

Retirement Village Profits: Why Capital Gains Still Drive the Sector’s Economics

New Zealand’s retirement village sector continues to report strong headline profits, but a close examination of operator financials reveals a structural truth and that is for many operators, statutory earnings depend heavily on property revaluation income and less so for operating profit.

As investors increasingly scrutinise the difference between accounting profit and cash-backed earnings, new investment products are emerging that offer pure exposure to capital appreciation without the operational volatility of running a retirement village.

An analysis of five major operators, Metlifecare, Arvida, Bupa, Summerset and Oceania**,** reviewing their year-end audited financial accounts ended 2025 or 2026, highlights how deeply capital gains shape reported profitability, balance-sheet strength and investor perceptions.

Heavy Reliance on Revaluation Income

For all five operators unrealised gains on investment property are not simply a contributor to profit, they are the profit.

- Metlifecare recorded a $135.4m fair value gain, compared with $57.4m profit before tax. Without revaluations, the company would have posted a material operating loss. *“Metlifecare’s $135.4m fair value gain dwarfs its $57.4m profit before tax…”*

- Arvida reported $124.2m of gains, transforming an underlying operating loss of roughly $28m into a $96.3m profit. *“Arvida’s $124.2m gain turns what would otherwise be a ~$28m loss into a $96.3m profit…”*

- This is the case for Bupa too with $52.1m of investment property gains underpinning most of its $63.1m profit before tax.

- Summerset’s underlying profit was $241.1m**,** while the total fair value movement on investment property was approximately $264.5m. This means IFRS profit was driven entirely by revaluation movements rather than operating performance alone.

- Oceania shows a similar pattern to the others.

- Ryman is part of the Big 6 too. Their accounts are not included due a complex year of impairments and restructure costs. Needless to say, revaluation is highly likely as important to Ryman as the above.

For these operators, capital gains are central to statutory profitability and to growth in net tangible assets (NTA). Revaluations lift equity, reduce gearing and support bank covenant headroom and all critical in a capital-intensive sector.

Why Capital Gains Matter Structurally

The sector’s economics make capital gains, both realised and unrealised, a persistent feature of reported performance:

- **Long-duration, asset-heavy portfolios** mean villages are held for decades, with periodic revaluations recognising accumulated gains under NZ IFRS.
- **DMF and resales margins** monetise property appreciation directly, even when fair-value movements are excluded from “underlying” metrics.
- **Balance-sheet strength** is closely tied to rising fair values, which support NTA growth and lower gearing percentage.

Rising fair values support higher NTA per share and lower gearing which in turn underpin bank covenants, bond markets access and investor confidence.

What Happens Without Revaluation Income?

Removing fair-value gains would materially reshape reported profitability:

- Metlifecare, Oceania and Arvida would shift from solid statutory profits to sizeable operating losses.
- Bupa would report a very small profit.
- While Summerset would basically breakeven.
- Return on equity and NTA growth would flatten making development heavy strategies appear less attractive.
- Investor focus would shift even more toward underlying EBITDA, DMF income, care home profitability, if any, and overall operating cash flow.

Reported profitability would fall sharply and operators would start to show losses year after year. Equity growth would flatten and strategic reliance on capital gains would be exposed.

Operators most dependent on revaluations would face pressure to lift operational profitability or moderate development intensity.

With growing ageing demographics in New Zealand and a general supply issue in retirement villages predicted well into the future, strong headline profits should still be expected.

While this question may be relevant in a depressed residential property market, there is also an unrealistic side to this question. Without increasing values, mainly driven by entry price appreciation, it could be argued there would no longer be a sustainable retirement village industry in New Zealand.

We consider this is very unlikely.

Linking Industry Capital Appreciation with Peak Living's new PIE Fund

Peak Living's wholesale investor PIE Fund is structurally very different from traditional retirement village investments or residential property. It is designed to behave like a capital-linked financial instrument, not a property ownership vehicle.

The Peak Living Blenheim Retirement Village PIE Fund Information Memorandum (available soon) notes:

"It is not a property ownership investment rather it is a managed fund whose unit value moves with the village's average entry price, creating a retirement linked capital appreciation mechanism."

"Capital appreciation is expected to be influenced by the local residential property market."

This means the Fund is engineered to mirror the entry price of Peak Living Blenheim's units effectively giving investors exposure to the same capital gains that retirement village operators benefit from.

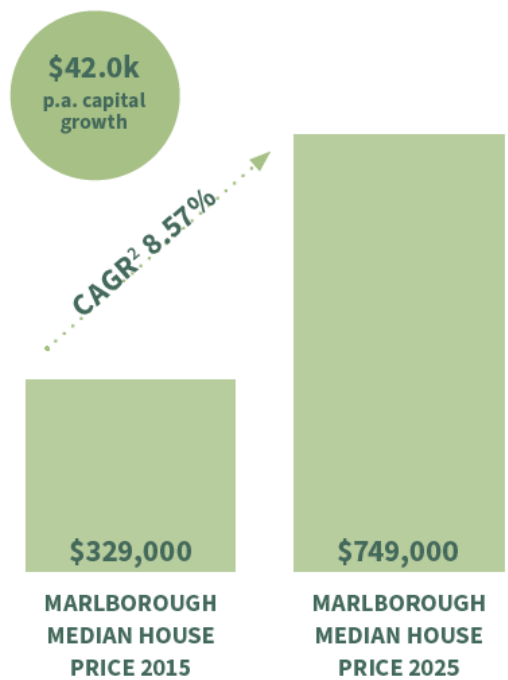
Once the village is operating the Fund's unit value is explicitly tied to the average entry price of the village:

"...the amount owing to the Fund will be valued based on aligning with the current entry price for the average priced unit in the Village. Peak Living expects a Unit's value to be influenced by the Blenheim residential property market."

This is new as most retirement village investments (Summerset, Oceania, Ryman) give investors exposure to capital gains indirectly through share price movements or revaluation gains. Peak Living's Blenheim Retirement Village PIE Fund gives direct exposure to the local ORA price curve.

The Marlborough property prices over the past 10 years have appreciated by over 8.57% * per annum. This is not guaranteed in the future but at even 4 to 5% annual average increase plus the lending rate to be charged the village developer Peak Living is targeting a pre-tax return to investors up to 12.5% p.a.

For this reason the significant importance of capital appreciation for the Big 6 retirement village operators as a critical return component is the same for Peak Living. In the same way property prices increase and decrease, these movements are shared by all RV operators, residential property and the Peak Living Blenheim Retirement Village PIE Fund.



While these big operators continue their generational growth, new offerings such as the Peak Living Blenheim Retirement Village PIE Fund are expected to follow a similar annual capital appreciation trajectory.

And we consider this is very likely.

* McKnight E. 2025, Opes Partners, "How is the Marlborough property market going?" Property Market, viewed 20th January 2026, https://www.opespartners.co.nz/property-markets/marlborough

About the Author

Stuart Bilbrough is the CEO at Peak Living Limited. He is a registered financial advisor (FSP1013288). He is also a NZ Chartered accountant and has nearly two decades experience in the New Zealand retirement industry. He was the CFO and then CEO at NZX listed Radius Residential Care and CEO at NZX listed Promisia Healthcare. Subsidiary, Peak Living Funds Management Limited (FSP1013335) is the Fund Manager for the Peak Living Blenheim Retirement Village PIE Fund.

Article Disclaimer

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An investment in the proposed Peak Living Blenheim Retirement Village PIE Fund will only be available to wholesale investors in terms of clause 3(2) or 3(3)(a) of Schedule 1 of the Financial Markets Conduct Act 2013.