Supply & Demand Analysis of Residential Aged Care in WA

Final Report

WA Department of Health

13 March 2026

The better the question. The better the answer. The better the world works.

EY Parthenon

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EY Acknowledgement of Country

EY wishes to acknowledge and pay deepest respects to the Traditional Custodians of the land, sea, sky and waterways. EY recognises the ongoing relationship, connection, and association to Country is an integral part of Aboriginal and Torres Strait Islander identity and cultural expression.

EY acknowledges that the land is alive, sacred, and intrinsically linked to Aboriginal and Torres Strait Islander spirituality, culture, language, family, lore, and identity and that Aboriginal and Torres Strait Islanders see Country as a person; they speak to Country, sing to Country, visit Country, worry for Country, and long for Country.

EY will continue to treat the land respectfully and work collaboratively with all Aboriginal and Torres Strait Islanders.

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Reliance restricted

Any person intending to read this report should first read this letter

WA Department of Health
189 Royal Street
East Perth WA 6004

13 March 2026

WA aged care market analysis

In accordance with your instructions, we have performed the work set out in our engagement agreement dated 15 December 2025 (the "Engagement Agreement") in connection with the WA aged care market analysis (the "Service") on behalf of the WA Department of Health ("WA DoH" "the Department" "you" or "Client").

Purpose of our Report and restrictions on its use

This Report was prepared on the specific instructions of the Department solely for the purpose of assisting you in assessing the WA Aged Care market and should not be used or relied upon for any other purpose. This Report and its contents may not be quoted, referred to or shown to any other parties except as provided in the Engagement Agreement.

We accept no responsibility or liability to any person other than to the WA DoH, or to such party to whom we have agreed in writing to accept our responsibility in respect of this Report, and accordingly if such other persons choose to rely upon any of the contents of this Report they do so at their own risk.

Nature and scope of the services and limitations

The nature and scope of the services, including the basis and limitations, are detailed in the Engagement Agreement.

During the course of our work, we have also relied upon the following sources of information:

- Meetings and Discussion with the WA DoH
- Stakeholder engagement sessions with WA Residential Aged Care ("RAC") providers
- Desktop analysis of the WA aged care sector including but not limited to sources published by the Department of Health and Aged Care and the Australian Bureau of Statistics ("ABS")
- Other data sources as referenced in Appendix B
- The detailed methodology, assumptions and analytical approach applied in undertaking this engagement are outlined in Sections 3 and 5 of this Report and Appendix C

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Our work has been subject to the following limitations:

- Our procedures consisted primarily of analytical review and reliance on data, information and explanations provided by the WA DoH, RAC providers and other stakeholders consulted during the project. We have not independently verified the accuracy or completeness of this information.
- Where we used third-party or publicly available information, we have not independently validated the accuracy or reliability of those sources, although we have assessed their general consistency with other information used and our sector experience.
- Whilst different sections of the Report address specific analytical components, the Report should be read as a whole to ensure a complete understanding of our findings and advice. Whilst each part of our Report addresses different aspects of our work, the entire Report should be read for a full understanding of our findings and advice.

Our work commenced on 12 January 2026 and was completed on 13 March 2026. Therefore, our Report does not take account of events or circumstances arising after 13 March 2026 and we have no responsibility to update the Report for such events or circumstances.

We appreciate the opportunity to provide our services to the WA DoH. Please do not hesitate to contact us if you have any questions about this engagement or if we may be of any further assistance.

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Executive Summary

Executive Summary

Purpose of this report

EY has been engaged by the Department to confirm whether there are short-term and/or long-term supply shortages of residential aged care beds in Western Australia.

Overview

The purpose of this report is as follows:

- Update a market analysis of the Western Australian aged care market from the EY 2024 report, assessing current and forecast demand for aged care in Western Australia ("WA"). This includes demographic analysis to identify pressure points in the market.

Methodology

We engaged with specific datasets and engaged directly with the aged care sector and financiers to inform our analysis.

Process and methodology

In performing our analysis, we undertook the following:

- Detailed analysis of demand (demographic) and supply (number of beds) by Statistical Areas 3 ("SA3") to understand whether, based on historical and known demand for residential aged care by age bracket (85+, 74-85, <74), there appears to be a current shortage of beds, or a potential shortage of beds approaching;
- We have forecast demand as outlined in Section 3 for residential aged care beds to 2030. Given the high level of uncertainty as to the true impact of the Support at Home reforms on demand going forward, there is little utility in forecasting any further. That said, the impacts of Support at Home needs to be closely monitored by the Department (this is outside of the scope of this Report). The known impacts of Support at Home have formed a key component of the methodology to forecast the potential supply gap through to 2030;
- Engaged with a number of leading aged care providers in consultation with the Department via a targeted survey in WA to understand:
  - The current state of each providers' aged care facilities;
  - Whether there were any offline beds within their facilities that could be switched back online;
  - The current impediments to refurbishing ageing facilities (or beds if specific to an area of a facility); and
  - The current cost of construction for new beds and refurbishing existing beds, including timeframes from preparing a business case to opening the facility.

Executive Summary

Current conditions

Western Australia's residential aged care (RAC) system is operating under sustained capacity pressure

- Western Australia's RAC system is operating under sustained capacity pressure, with demand continuing to rise and new supply unable to keep pace.
- Demand for RAC in WA is estimated to have grown 24% over the past decade, reaching ~18,500 residents in FY25, despite a declining proportion of older cohorts entering RAC due to people receiving care in the home longer. The primary driver for a reduction in the proportion of older Australian entering RAC is the introduction of home care packages (now through the Support at Home program).
- Despite rising demand, supply growth has stalled particularly post COVID, with WA recording its first decline in bed numbers in over a decade in 2025.
- Sector investment sentiment remains poor: providers cite ongoing policy instability, high construction costs, tight labour markets, and constrained access to credit as major impediments to greenfield development. Relatedly, investment in aged care facilities has fallen 75% in WA since 2019–20.
- Providers report occupancy levels of >95% while Commonwealth datasets report occupancy at ~92%. This implies that available beds are overstated in Commonwealth data by >700 beds. Our enquiries indicate that these beds are offline due to workforce constraints, redevelopment activity and unsaleable rooms (mostly shared rooms with single ensuites). In both Commonwealth reporting and EY analysis, average occupancy rates in WA are the highest in the country.

RAC projections

An ageing population in WA is expected to continue to generate high demand for aged care services.

- Population ageing is expected to continue to exert pressure: the number of Western Australians aged 75+ is forecast to increase by ~47,000 between 2026 and 2030, with RAC use expected to grow 4–5% annually through to 2040.
- Under updated demand scenarios reflecting different potential impacts of the Support at Home reforms, WA will require between approximately 1,600–2,700 additional operational beds by 2030.
- This equates to roughly 16–27 new facilities, assuming typical 100-bed configurations.
- At an estimated $650,000 per bed - a cost that has risen 47% since 2020 - total capital investment of $1.0–$1.8 billion will be required in new capacity alone.
- These estimates exclude the sizeable reinvestment task for ageing existing stock.
- Given the long lead times to completion of an aged care facility (often 4-5 years), the evidence indicates that WA faces a substantial and time-critical shortfall in residential aged care capacity.

02

Overview of WA aged care market

WA residential aged care market snapshot

18,541

18.5k people were in residential aged care homes in FY25 which has increased 26% over the last decade despite increased share of people receiving support in the home

>95%

96.5% average occupancy reported by major providers in WA which is the highest in the country. 92% occupancy reported by the Commonwealth.

1,600-2,700

Additional beds needed in WA by 2030 if Support at Home impacts continue (assuming 100 bed facilities, an additional 16-27 facilities will be needed)

~900

New WA residents requiring RAC in WA per year from 2030 growing at ~4-5% to 2040

$650k/bed

Construction costs per bed have increased to an average of around $650k in WA with construction costs increasing 47% since June 2020

$1.0b-1.8b

Based on construction costs of $650k per bed, **investment needs of between $1.0b and $1.8b in new capacity** in real terms is needed

4-5 years

Years to build a new residential aged care home

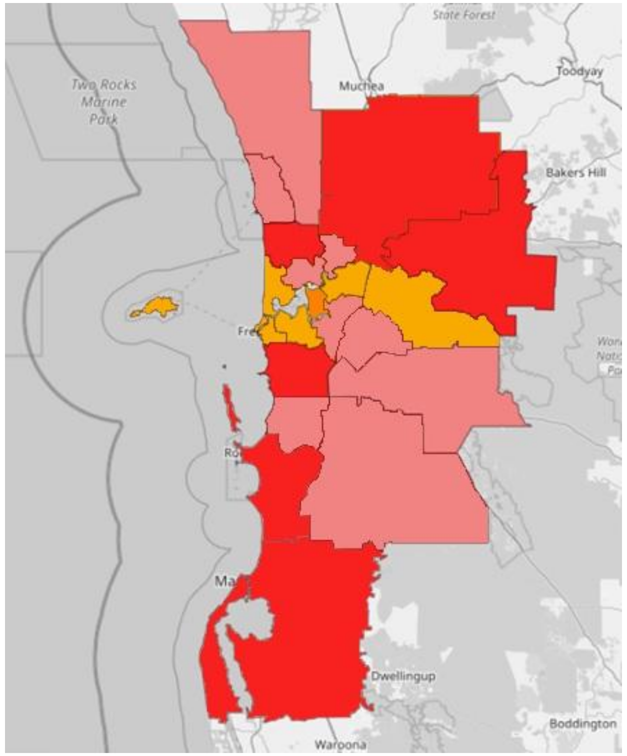
-75%

The **value of building work completed** on residential aged care facilities in WA declined by 75% between 2020 and 2025.

Market Summary

- Evidence suggests that parts of the Western Australian aged care system are operating at close to capacity with acute shortages in a number of areas of Greater Perth.
- Contributing factors include high local construction costs, workforce shortages and ongoing policy uncertainty, particularly on accommodation pricing and refundable accommodation deposits.
- WA's population is younger than the broader Australian population, however it is ageing with the share of 75+ increasing 1.4ppts. A net increase of ~47k people of the 75+ cohort is forecast between 2026 to 2030.
- The Support at Home program may continue to further slow residential demand as additional higher funded packages are made available to older Western Australians, however the true effects are uncertain at this time.
- It takes approximately 4-5 years to locate and build a new residential aged care facility. Accordingly, new supply needs to be planned today to meet the future expected demand through to 2030 and beyond.

Residential aged care occupancy in Greater Perth by SA3*, 2024



Occupancy:
≤85% | 86% to 90% | 91% to 94% | ≥95%

Source: *Department of Health, Disability and Ageing, Financial Report on the Australian Aged Care Sector 2023-24 ,Department of Health, Disability and Ageing, GEN database, Provider consultation, ABS Population projections, ABS Value of Building Work Done*

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Australia's aged care landscape has undergone significant change in recent years with a series of reviews and incremental reforms undertaken by the Commonwealth Government

2017 · 2018 · 2019 · 2020 · 2021 · 2022 · 2023 · 2024 · 2025 · 2026

Report on the Inquiry into Quality of Care in Residential Aged Care Facilities in Australia, 2018

- The recommendations included developing guidelines for visitors to report observed or suspected abuse, developing a consumer rating system and ensuring all aged care facilities have at least one registered nurse on site at all times.

Royal Commission into Aged Care Quality and Safety Report 2021

- The Royal Commissioners made a total of 148 recommendations focused on various areas of aged care services in Australia

Increase in Annual Grant Funding

- The amount of annual grant funding was increased to $300 million in 2021-22.

Australian National Aged Care Classification ("AN-ACC")

- The Aged Care Funding Instrument ("ACFI") funding model was replaced by the new AN-ACC system

15% Wage increase

- Wage increase for direct care employees working in aged care

New Aged Care ACt

- Increased maximum accommodation price & indexation ($500k to $750k)
- 2% RAD retention for 5 years
- Daily Accommodation Payment indexation

Review of National Aged Care Quality Regulatory Processes, 2017

- The Review called for better coordination of regulatory functions through the establishment of the Aged Care Quality and Safety Commission and a better system for sharing information on provider performance with the public providers.

Serious Incident Reporting Scheme ("SIRS")

- A new and expanded SIRS should be developed.
- The scheme should address all serious incidents, including in home care.

Quality Indicators and Standards

- The Commonwealth introduced new mandated reporting obligations on a quarterly basis.

Aged Care Star Ratings

- 1 July 2022, the Government developed and published a system of star ratings based on measurable indicators that allow for a meaningful comparison of the quality and safety performance of services and providers.

Discontinuation of Aged Care Approvals Round ("ACAR")

- No further ACARs would be held.
- Instead, from 1 July 2024, residential aged care places will be assigned directly to senior Australians

Support at Home program

- Replaced Home Care Packages and the Short-Term Restorative Care Program
- Replaced 4 Home Care Package levels to an eight-level classification with added support for high acuity care including palliative care

Commonwealth reforms

Source: *Royal Commission into Aged Care Quality and Safety - A History of Aged Care Reviews*

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The WA Government has made significant investment to maximise uptake of all available aged care discharge pathways

2022

Aboriginal Community Controlled Health Services TCP Pilot

- WA Government investment in nation-first pilot to deliver TCP in partnership with Aboriginal Community Controlled Health Services (ACCHS)
- Locally led, place-based, culturally responsive transition care supports older Aboriginal people to stay on or near Country after a hospital stay

Transition Care Program reforms

- $1.1b procurement process to reform WA's TCP to better meet demand for transition care

2023

Vacant Beds

- May 2023 – development of a sector-led aged care bed vacancy portal "VacantBeds", supporting hospital staff to more efficiently match patients with aged care beds

Residential Respite Pilot Program

- July 2023 - Residential Respite Pilot program commenced, utilising latent residential aged care capacity to provide a discharge pathway for patients awaiting aged care, including permanent residential aged care placement

Transition Care Program reforms

- October 2023 – new service contracts commenced, with double the service locations, a greater diversity of providers, a better mix of specialist services for patients with more complex needs
- Pilot ACCHS transitioned to service contracts, securing access to cultural-safe transition care over the longer-term.

Aged Care Hub

- October 2023 - The Aged Care Hub commenced, centralising the approach to management of referrals to TCP, allowing a State-wide view of TCP referrals and vacancies

2024

Integration of Aged Care Hub with the State Health Operations Centre

- July 2024 - Integration of Aged Care Hub with other system flow initiatives to maximise impact on patient flow

Residential Respite Pilot expansion

- September 2024 – purchase of dedicated care awaiting placement beds to support hospital discharge
- October 2024, - pricing uplift to reflect providers' marginal costs of caring for long stay patients, including patients with complex needs

2025

Time to Think

- Time to Think program commenced May 2025 - offering dedicated hospital discharge beds for short term placements allowing older people time to consider care options

Aged Care Low Interest Loan Scheme

- Low Interest Loan Scheme to encourage investment in concessional capacity. Applications closed February 2026

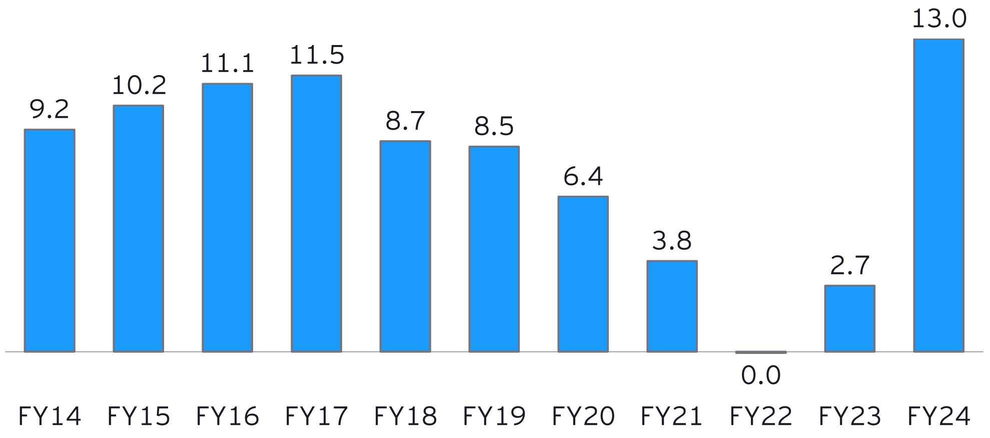
2026

WA Government Programs

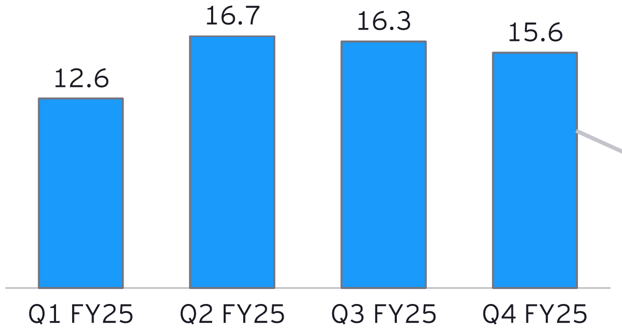
The financial performance of the residential aged care sector has improved following the introduction of AN-ACC and recent aged care funding reforms

Latest data confirms the sector is recovering

Residential care provider EBITDA per resident per year (Annual
$'000



Residential care provider average EBITDA per resident bed year*
$'000



Quarterly financial reporting suggest sector wide earnings continued to recover in 2025 noting caution in reliance on non-audited management accounts (see footnote)

Recent residential aged care funding reforms

- From 1 January 2025 an **increase in the RAD cap from $550,000 to $750,000**
- Allow providers to **deduct and retain 2% of the RAD for 5 years** to create greater alignment between the lump-sum RAD and DAP
- **Introducing Daily Accommodation Payment indexation** to ensure payments to providers do not reduce over time in real terms
- **By 2035,** after a 2030 review, **phase out RADs for aged care accommodation,** shifting to a resident rental model to provide greater certainty around cash-flow and remove risk caused by large liabilities that could fall due at any time
- Allow providers and residents to **negotiate a higher basic daily fee for higher quality services**
- **Expanding government funding to fully cover the cost of clinical care** while residents pay a greater contribution towards accommodation and daily living expenses.

Note: The Commonwealth is currently awaiting the finalisation of the independent review of accommodation pricing. This may lead to material reforms on accommodation pricing into the future.

* The Department advises that caution should be exercised when comparing QFS with FRAACS," because QFS uses management-account (QFR) data while FRAACS uses audited ACFR data after year-end adjustments

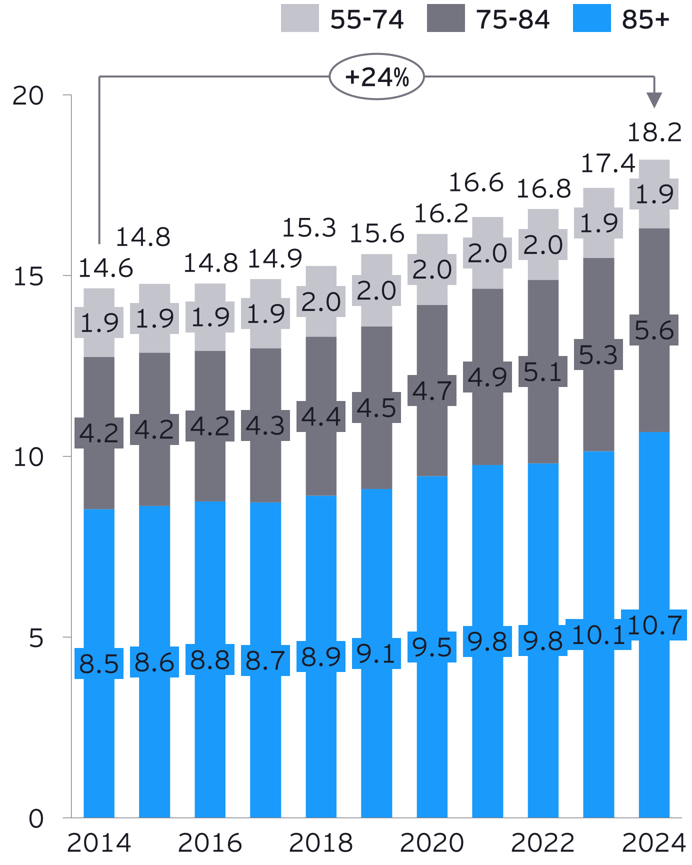
Source: *Department of Health, Disability and Ageing, Financial Report on the Australian Aged Care Sector 2023-24, Department of Health, Disability and Ageing, Quarterly Financial Statistics, Q4 2025*

03

Demand and supply of aged care beds in WA

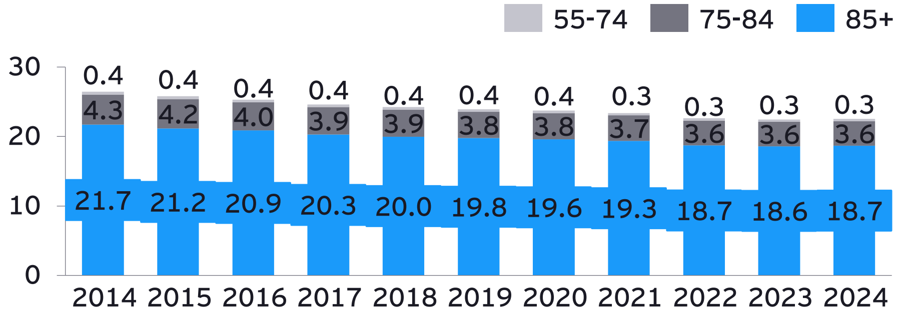
Demand for residential aged care in WA has grown by 24% over the last decade despite the proportion of people using aged care declining

Residential aged care use in WA by age cohort
Thousand persons



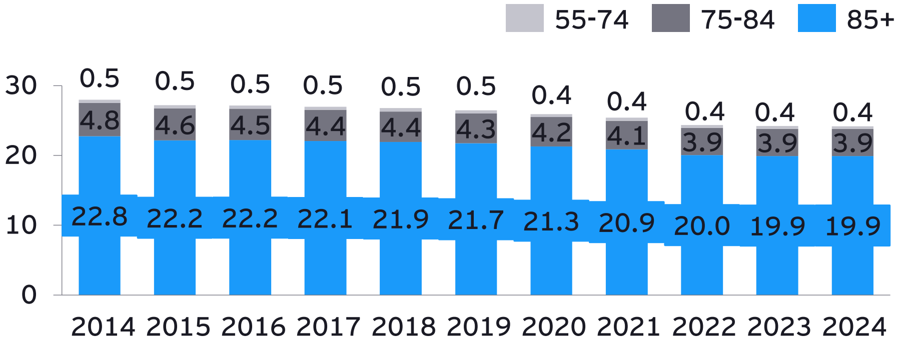
Source: AIHW GEN database

Share of people in residential aged care by age cohort in WA
% share of total population



Source: AIHW GEN database

Share of people in residential aged care by age cohort in Australia
% share of total population



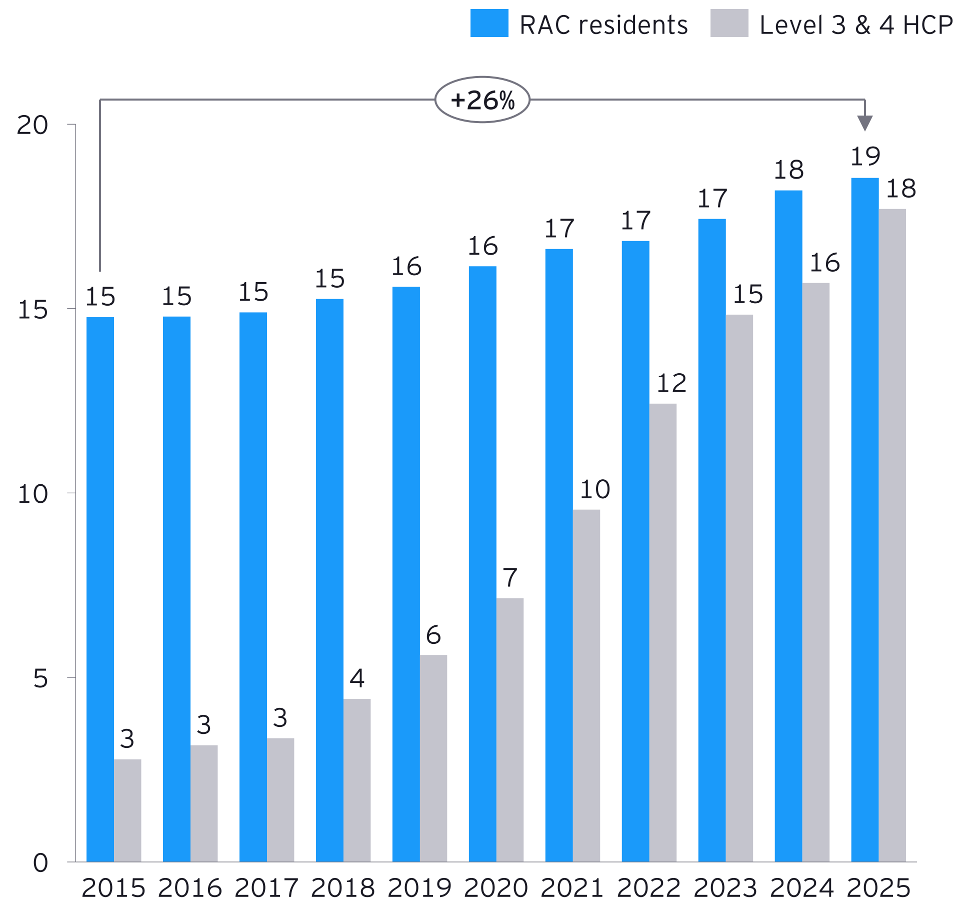
Source: AIHW GEN database

Commentary

- The number of people in residential aged care in WA has increased by 24% over the last decade to reach 18.2k residents.
- Around 58% of residents are aged 85+ and 31% aged 75-84 with the remaining 11% aged between 55 and 74.
- Despite higher numbers, the proportion of Western Australians aged 85+ in residential aged care has decreased to 18.7% over the last decade declining 3.0 percentage points.
- This trend is consistent with the decline in the proportion of the population in residential aged care nationally.
- Of note, the proportion of older Australians 85+ in residential aged care is higher nationally (19.9%) than in WA (18.7%). There are likely to be a number of factors driving this, including capacity constraints of the current aged care sector.
- These trends are important to understand for forecasting future demand of residential aged care and will be a key factor in determining the number of beds required.

The aged care market is in transition as home care packages ramp-up, however residential aged care demand remains strong in WA

Residential aged care use and Home Care Packages level 3 and 4 use in WA
Thousand persons



Source: *AIHW GEN database, Operation of the Aged Care Act Report 2024-25, Home Care Packaged Program report*

Transitioned Home Care Package ("HCP") levels in WA effective 1 November 2025

Package Level	1	2	3	4
Patient acuity	Basic	Low	Intermediate	High
% of HCP	1.7%	24.6%	36.1%	37.6%
Daily subsidy	$30.10	$52.93	$115.22	$174.68
Annual subsidy ($000's)	11.0	19.3	42.1	63.8

Source: DoH, Aged Care Subsidies and Supplements - Support at Home. AIHW GEN database, Aged Care Data Snapshot 2024

New Support at Home arrangements effective 1 November 2025

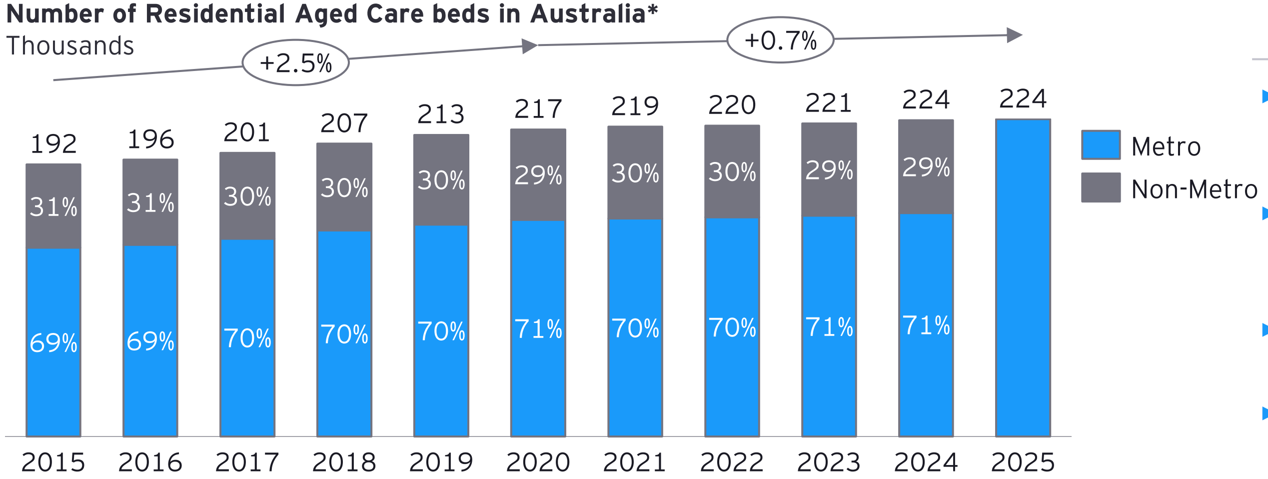
Package Level	1	2	3	4	5	6	7	8
Patient acuity*	Basic	Low		Intermediate			High	Very high
Annual approximate ($ 000's)	10.7	16.0	22.0	29.7	39.7	48.1	58.1	78.1

Source: DoH, Aged Care Subsidies and Supplements - Support at Home

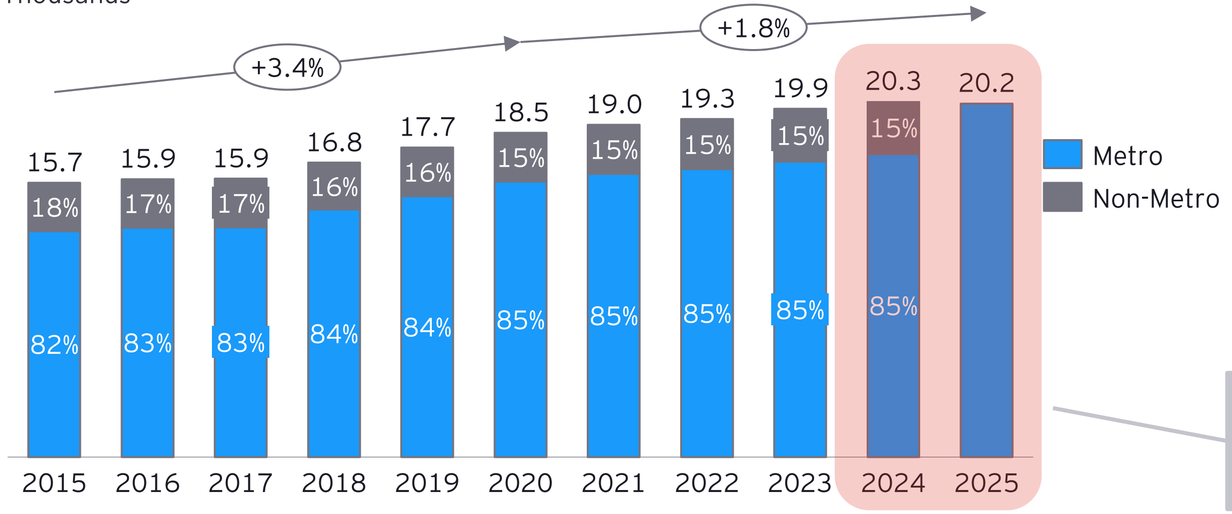
- Funding per person under the new Support at Home arrangements are largely consistent with current levels with only level 8 allocated a higher budget
- The higher classification may put some downward pressure on RAC uptake however the care needs of most RAC clients are generally significantly higher than those in HC

RAC supply growth has moderated since 2020 with a net increase of around 400 beds since 2020 with 2025 recording the first fall in bed numbers in at least a decade

Number of Residential Aged Care beds in Australia*
Thousands



Number of Residential Aged Care beds by region in Western Australia*
Thousands



Commentary

- National RAC bed numbers have grown by around 0.7% per year since 2020, reflecting modest, system-wide expansion against a backdrop of challenging financial conditions, workforce shortages and construction cost barriers
- Western Australia has grown slightly faster, with reported operational beds increasing by 1.8% per year since 2020 - equivalent to approximately 400 additional beds per year, largely concentrated in metropolitan areas
- 2025 however recorded a decline of 119 beds which is the first annual decline in at least a decade
- The official Commonwealth data may overstate WA's true operational capacity, due to limitations in how beds are counted by the Department of Health, Disability and Ageing, as well as the quality of data submitted by providers
- This discrepancy likely arises because the Commonwealth dataset includes beds that are approved but not operational, such as those unavailable due to workforce shortages, unsaleable shared rooms, or redevelopment activity
- As a result, it is unclear how many of these non-operational beds are temporarily offline versus permanently withdrawn, creating uncertainty about WA's actual residential aged care capacity
- Provider-reported occupancy levels suggest that WA may have roughly 700 fewer operational beds than indicated in the official statistics
  - Major providers report occupancy rates of 95% compared to official data sources of 92% (see next page)

First decline in WA bed supply in over a decade

* *Note 2025 data on metro/non-metro beds not yet available*

Source: AIHW GEN database, Report on the Operation of the Aged Care Act

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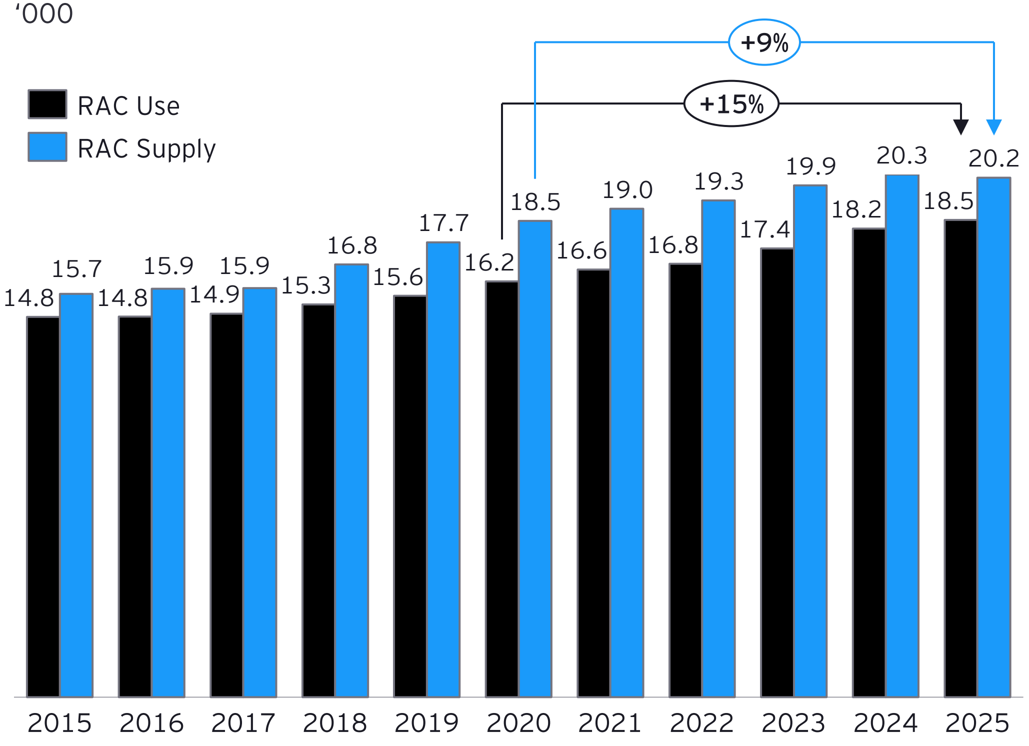
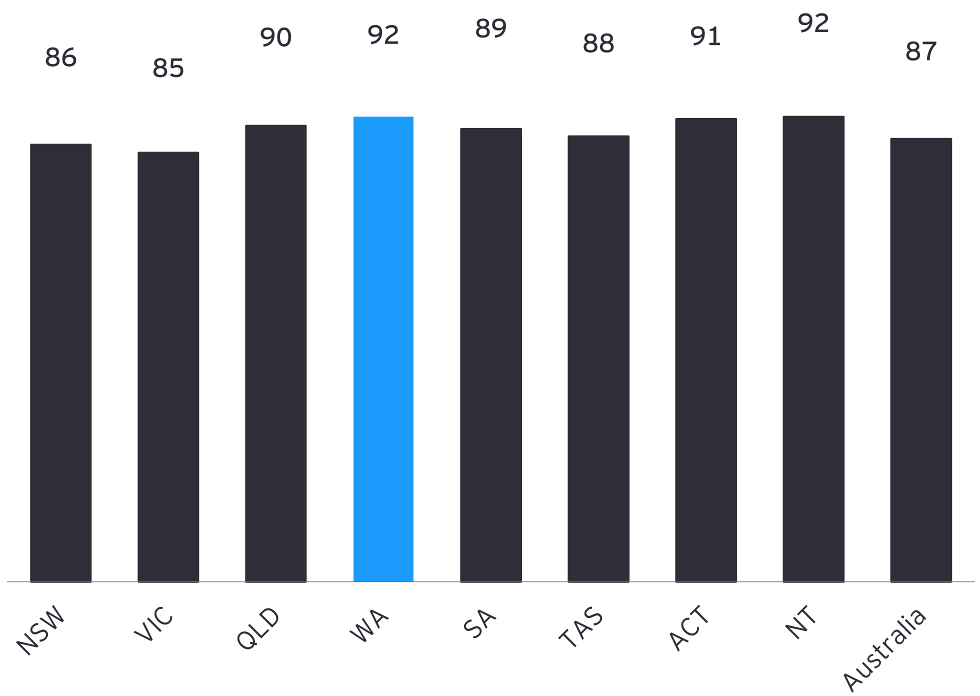
WA has the highest occupancy rates nationally with demand significantly outpacing supply since 2020 and operational beds are lower than official data

WA Residential aged care use and supply
'000



Occupancy rates by State, 2024-25
%



- The data collected by the Commonwealth Department of Health, Disability and Ageing suggests that occupancy rates are around 92 per cent in WA which is the equal highest nationally
- The numbers understate true occupancy levels due to the inclusion of non-operational beds which could be offline due to workforce shortages, unsaleable rooms (i.e. shared rooms) or site redevelopments
- Major providers however have indicated higher occupancy rates exceeding 95%
- Applying a 95% occupancy rate to number of people in aged care suggests, ~700 beds are currently offline with the number of operational beds currently 19.5k

Source: *2024-25 Report on the Operation of the Aged Care Act 1997, AIHW GEN database*

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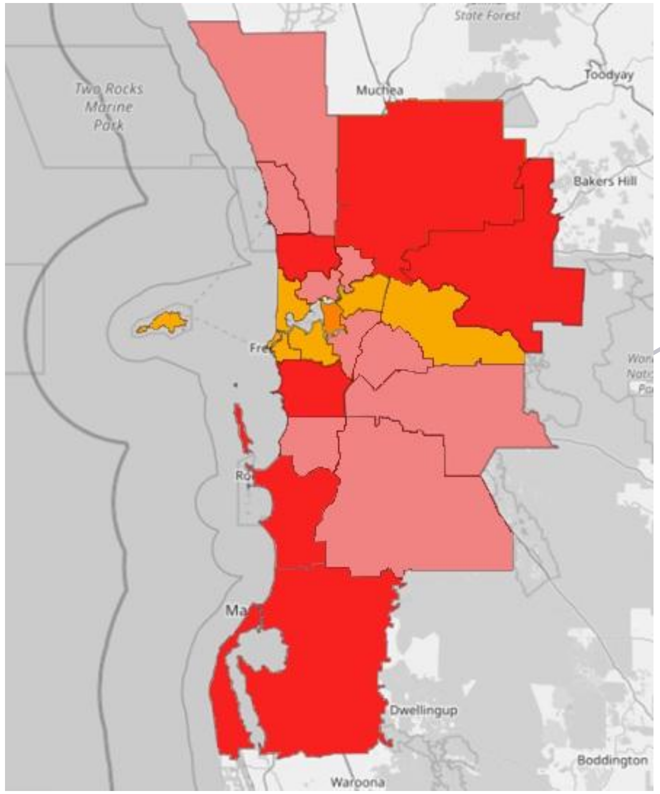
Continued high demand for RAC is coinciding with acute supply pressures in some areas of Greater-Perth which may be greater than suggested in the data due to offline capacity

The majority of Greater Perth is operating at close to full capacity

Commonwealth Data

- The average occupancy rate for Greater Perth was 92% in 2025 according to official Commonwealth data sources which is the equal highest nationally
- 20% of Greater-Perth's SA3 regions recorded occupancy rates of greater than 95% and above which would be indicative of full capacity (given turnover of one third of residents each year on average)
- Based on consultations with providers, the experience on the ground suggests that there is very little capacity in facilities to accept new permanent residents
- While there still appears to be a discrepancy between provider data and the official statistics, the Commonwealth data appears to better reflect conditions when compared to our previous update
- The Commonwealth has also committed to implement a national bed vacancy portal by 2027 which aims to provide real time data on supply and should help improve the accuracy of Commonwealth reporting, as well as visibility of available beds

Residential aged care occupancy in Greater Perth by SA3*, 2024



Data used to measure occupancy includes beds that are not operational and likely understates actual occupancy levels. Providers have indicated that Greater Perth occupancy exceeds 95%

Occupancy:

≤85% | 86% to 90% | 91% to 94% | ≥95%

* Note: Providers accounting for ~40% of the market currently operate at occupancy ~95% in metro regions, implying that reported Federal Government capacity is likely overstated in some locations. We suspect areas under 85% occupancy to have higher occupancy than that is shown from publicly available data.

04

Investment in new aged care beds

The WA investment outlook has deteriorated since EY's last update in 2024 with construction costs the key headwind impacting on viability of greenfield projects

Factors of investability are critical in understanding provider and investor sentiment to remaining and expanding in residential aged care. There are a number of other factors driving investability, however the below factors represent the most relevant in the current market. This view has been informed from consultation with providers and financiers. This is an important starting point in framing to understand current state, risk factors and the impact this may have on growth.

WA RAC providers were surveyed on various aspects of the aged care market in WA. A rating of "1" means very poor and "10" means excellent. The Provider Rating score reflects the average scores of providers who completed the survey. The respondents represent ~50% of the WA RAC market.

Strong	Decline	Steady	Moderate	Strong

Factor	Comments	Provider rating	5 year trend
Overall	While respondents indicated they were looking to invest, investment sentiment in RAC was relatively poor	3	
Viable construction costs	High construction costs, lengthy approval processes, and limited availability of contractors can act as significant barriers, increasing the risk and expense associated with developing new aged care facilities	2	
Access to credit	Consultations with major lenders have revealed that they are cautiously optimistic on the outlook for RAC however lending appetite is still constrained due to high construction costs and weakness in balance sheets as a result of pre-AN-ACC period with smalls providers deemed high risk	5	
Sustainable operational funding	Profitability has improved markedly following recent funding reforms, which have strengthened the viability of existing aged-care facilities. However, new greenfield developments continue to face viability challenges due to elevated construction costs	3	
Sufficient workforce supply	Some providers have reported that workforce pressures may have eased in metro areas. Workforce remains an issue in regional WA with challenges associated with accommodation	n/a	
Supportive policy settings	Recent quality and safety reforms will contribute to investment in high quality facilities. While some reforms will increase the cost base (e.g. care minutes) this has been broadly offset by increased funding levels. The Support at Home transition should help to lower demand for residential aged care and free up capacity for those that require support in a RAC setting Stakeholders still perceive elements of policy and revenue uncertainty, which contributes to conservative lender behaviour and, for some providers, cautious investment planning	3	
Demand	High occupancy rates, slow supply growth and provider sentiment all point to there being a high demand for RAC in WA	9	

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Key investment themes (1/2)

Investability factor	Commentary
Viable construction costs	▸ Construction feasibility remains one of the strongest constraints on aged care investment, particularly in WA ▸ Stakeholders consistently emphasised: • Build-cost inflation significantly outpacing revenue growth • Difficulty meeting bank and equity Internal Rate of Return (IRR) hurdles, especially for sub-100-bed facilities • WA-specific cost pressures driven by labour shortages, regional premiums, and delivery-risk contingencies ▸ These factors materially limit the viability of greenfield projects and shift capital toward brownfield expansions and compliance refurbishments ▸ Nationally, we are seeing widespread M&A activity driven by high construction costs. This suggests that while funding model improved viability for existing operations, returns may not yet be sufficient to cover upfront capital costs
Access to Credit	▸ Current lending appetite is selective but available, provided projects and project owners demonstrate strong fundamentals ▸ Financiers are prioritising: – Proven operators with robust balance sheets and governance – Facilities positioned to deliver consistent AN-ACC cashflow performance – Near-completion or lower-risk redevelopment projects ahead of speculative new builds ▸ Nationally, demand for credit is centred on refinancing, liquidity support, and portfolio rationalisation, not growth ▸ WA providers seek credit less frequently than their eastern-state counterparts, but when they do, their proposals tend to be disciplined, asset-specific, and well-structured, which lenders view positively ▸ Key parameters influencing access include scale (typically 80–120+ beds), high standards of design and compliance, balanced accommodation-payment mix, fixed-price/hedged construction contracts, appropriate contingencies, and conservative leverage. Financiers generally view smaller providers as higher risk due to a lack of scale and the concentration of financial risk to one facility (as an example)
Sustainable operational funding	▸ The sector is viewing the funding reforms as a broadly positive step to ensure the sector is viable in the long-term ▸ Rising construction costs are impacting on key investment hurdle rates particularly for facilities that draw a lower price per bed and/or have a higher supported resident mix

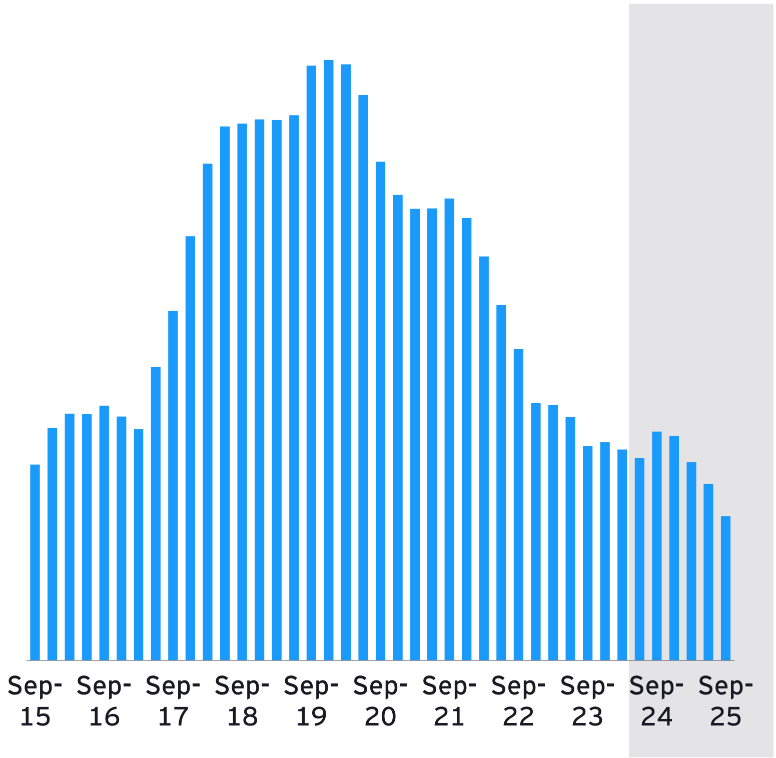
Key investment themes (2/2)

Investability factor	Commentary
Sufficient workforce supply	▶ Workforce availability continues to be one of the most significant operational risks for residential aged care providers, particularly in regional WA where labour attraction and retention remain structurally challenging ▶ Operators face: – Ongoing difficulty sourcing qualified clinical staff, especially registered nurses – Heightened competition from hospitals and disability services – Greater pressure to meet strengthened workforce requirements under the new Aged Care Act, including minimum training, competency obligations and worker-screening expectations ▶ Workforce wage uplifts—such as the Fair Work Commission's 2024 aged care wage increases—have improved staff attraction and retention and been substantially funded by Government, reducing the margin pressure that providers would otherwise have borne. In practice, many providers have also been paying above award rates to attract and retain staff.
Supportive regulatory settings	▶ Stakeholders still perceive elements of policy and revenue uncertainty, particularly around long-term indexation settings and ongoing adjustments to regulatory and care-minute requirements. These factors contribute to conservative lender behaviour and, for some providers, cautious investment planning ▶ Recent quality and safety reforms will contribute to investment in high quality facilities. While some reforms will increase the cost base (e.g. care minutes) this has been broadly offset by increased funding levels ▶ Support at Home transition should help to lower demand for residential aged care and free up capacity for those that require support in a RAC setting
Demand	▶ Providers continue to report high demand and occupancy for residential aged care across both lower income and higher income facilities ▶ RAC use has grown 15% since 2020, while RAC supply has only grown 9% which points to demand continuing to outpace supply ▶ Ageing population means current demand is not short term, but a sustained and structural trend

Investment in WA aged care facilities has fallen 75% since its peak in 2019-20 with construction costs amongst highest in the country

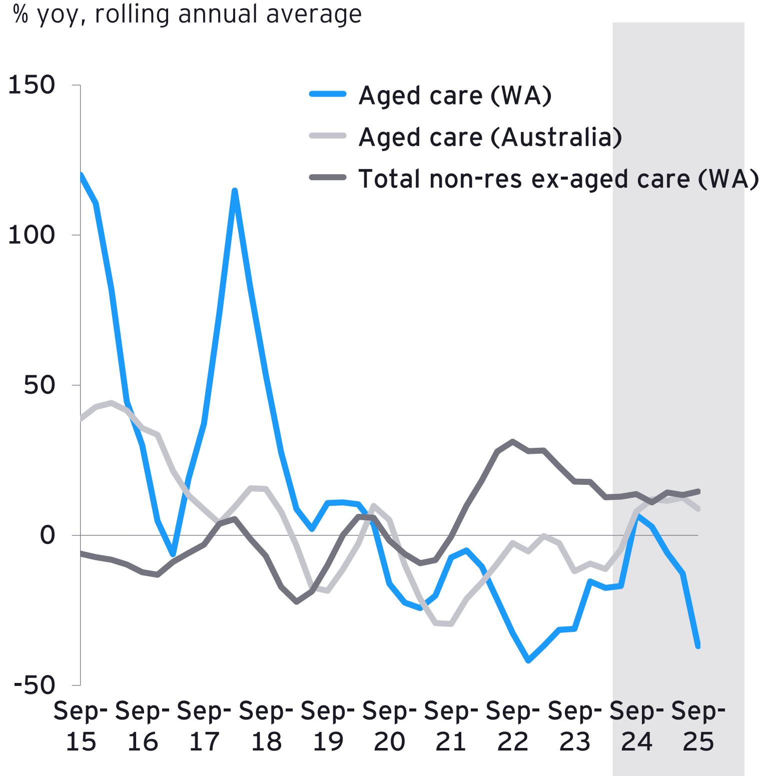
Aged care building work has decreased…

Aged care facilities, building work done, Western Australia
$ millions, rolling annual average



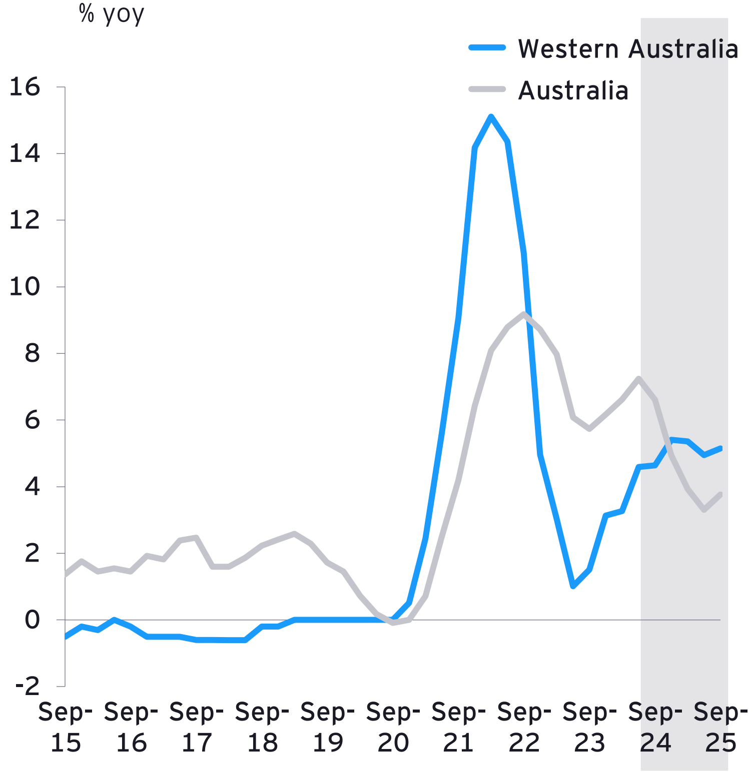
…while investment recovers elsewhere…

Aged care facilities, building work done, Western Australia
% yoy, rolling annual average



…and building costs continue to increase

Non-residential construction cost index
% yoy

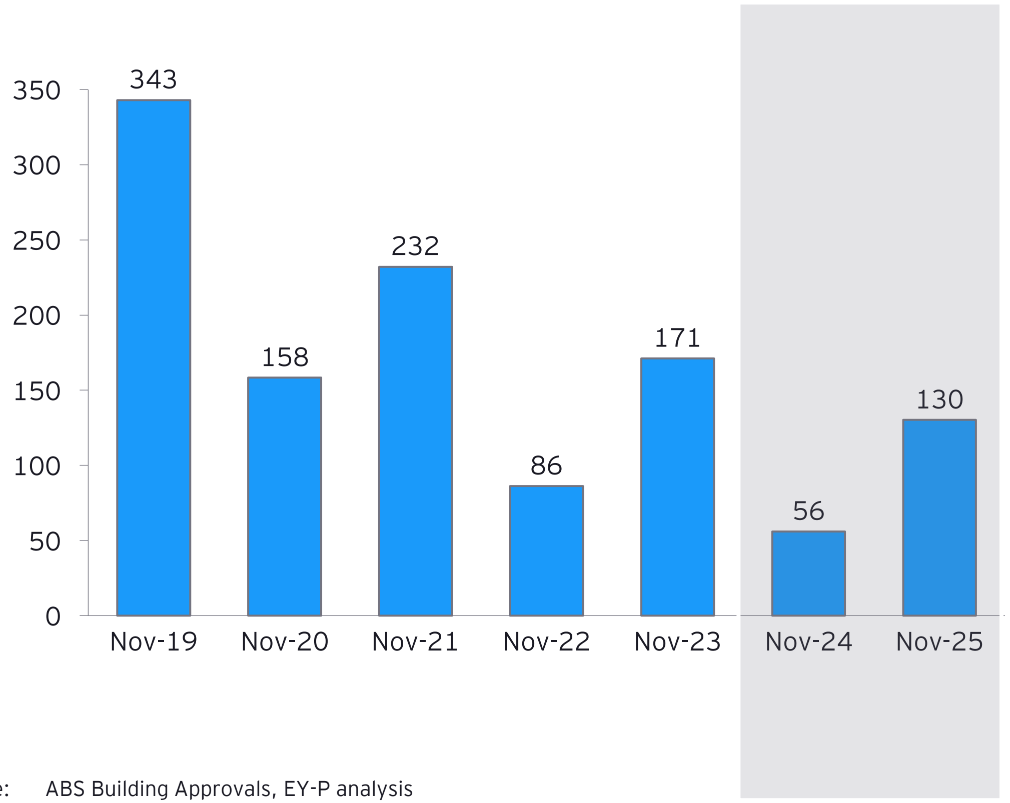


Source: ABS Building Activity Australia Table 51, 56; ABS Producer Price Index Construction Outputs, EY-P analysis

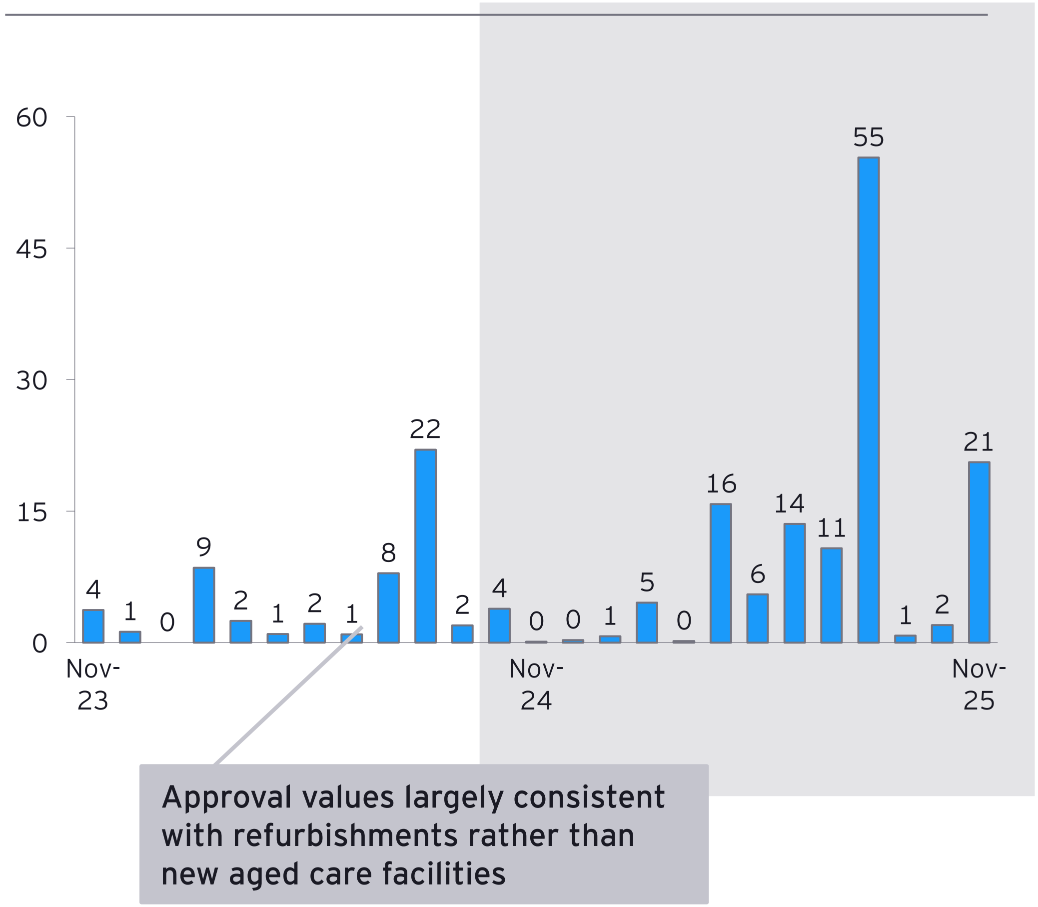
Shading reflects period since our last review for WA DoH

Potential greenshoots emerging with building approvals rising from low base but appears to be value consistent with refurbishments rather than new builds

Annual building approvals, aged care facilities, Western Australia ($ millions)



Monthly building approvals, aged care facilities, Western Australia ($ millions)



Source: ABS Building Approvals, EY-P analysis

Shading reflects period since our last review for WA DoH

EY Parthenon

Despite difficulties in the construction market, providers recognise opportunity and are planning investments

WA RAC Providers gave high level investment intentions

Planned investment

Planned beds	Approximately 1,200
Planned investment	Approximately $790m
Average construction cost per bed	$645k

Analysis

- Respondents indicated planned investment of **approximately 1,200 new beds** to be online between 2027-2030.
  - Note: new bed investment includes both facility expansions and new facilities
- Most of the planned beds are in Greater Perth
- Construction costs remain high and new build costs have increased from a reported $500k per bed in 2024 to an average of $645k per bed in early 2026
  - Some planned new facilities quote average bed cost in the range of $700k-$1m, reflecting variability in location and quality of the RAC product
  - Planned expansions of existing facilities quote average bed cost in the range of $300k-$500k
- Investment intentions were at various stages of development and subject to change with only one so far at the building approval stage, reported at the date of the survey
- If these investments led to a net increase of approximately 1,200 beds, it would still fall short of the number of beds required under all scenarios modelled in this report.
- This survey was conducted from 17 January 2026 to 27 February 2026.

05

Residential aged care projections

Modelling residential aged care bed needs of WA

Modelling approach

1. Understand **current supply**
2. Understand **current use** of residential aged care in WA
3. Forecast **future population**
4. Apply **conversion rates** to estimate future demand
5. Test **demand scenarios**
   - Modelled different pathways depending on how penetration rates evolve:
     - Continued decline (greater home care use)
     - Stabilisation after short-term decline
     - Held constant at 2024 levels

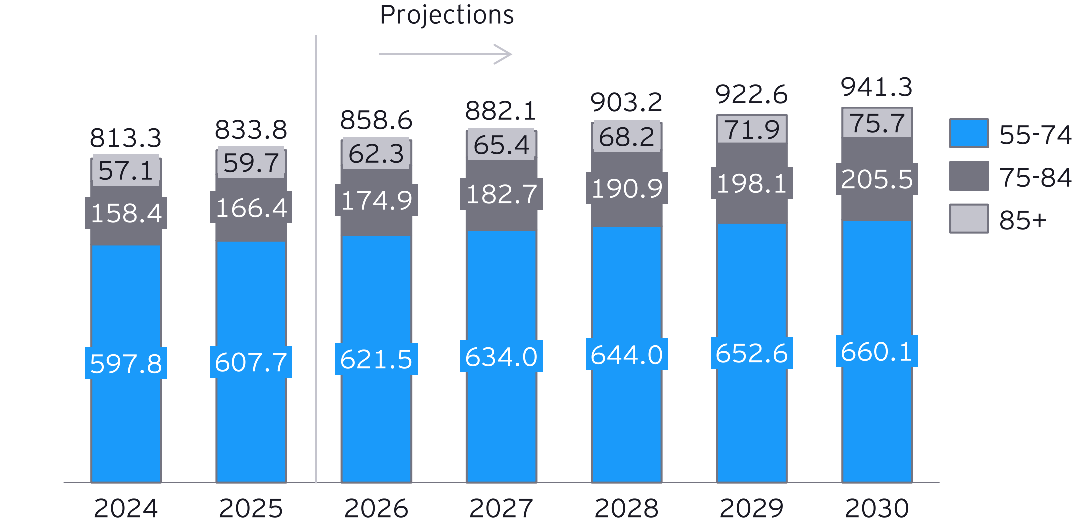
See appendix for detailed methodology

Assumptions

	Factor	Assumption	Source
Supply	Number of beds	20,189	AIHW GEN Database
	Offline beds	670	Provider engagement
	Total operational beds	19,516	EY-P analysis
	Construction cost per bed	$650,000	Provider, financier engagement
Demand	RAC use	18,541	AIHW GEN Database
	WA population	85+: 59,689 75-84: 166,396 55-74: 607,724	ABS
	Population growth (5 year)	85+: 4.9% 75-84: 4.3% 55-74: 1.7%	ABS Medium growth projection
	Current conversion rates	85+: 18.2% 75-84: 3.45 55-74: 0.32%	EY-P analysis
	Scenarios	S1: Conversion rate continues decline to 2030 S2: Conversion rate continues decline to 2027 and then plateaus S3: Conversion rate remains fixed	EY-P analysis

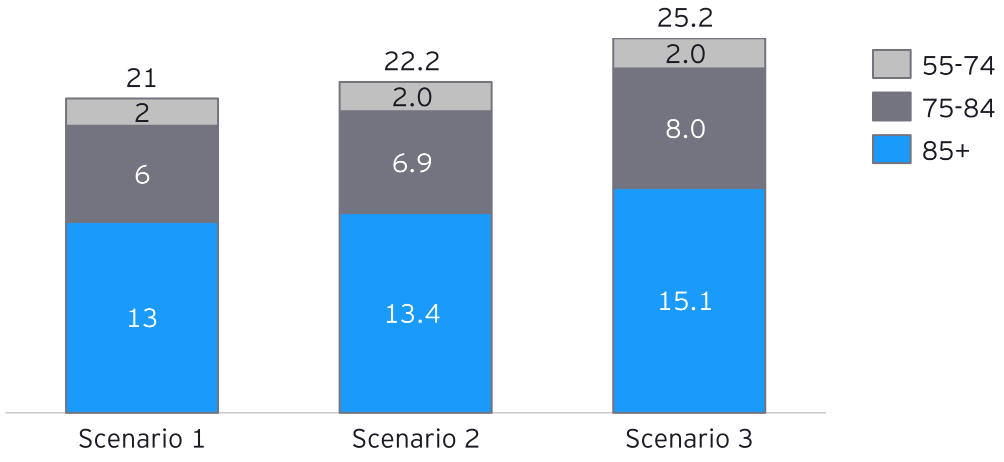
Demand will continue to be underpinned by population growth however there is uncertainty over the impact of reforms to enable people to receive care in the home for longer

Population projections
Thousand persons



- To project population, we utilise historical ABS population data as the base and grow it by using the ABS projection data from 2026 to 2030
- This shows that demographics with the highest use of residential aged care are growing the fastest. Over the next 5 years:
  - Persons aged 85+ will increase by 26% or16k
  - Persons aged 74-84 will increase by 18% or 31k
  - Persons aged 55-74 will increase by 6% or 38k

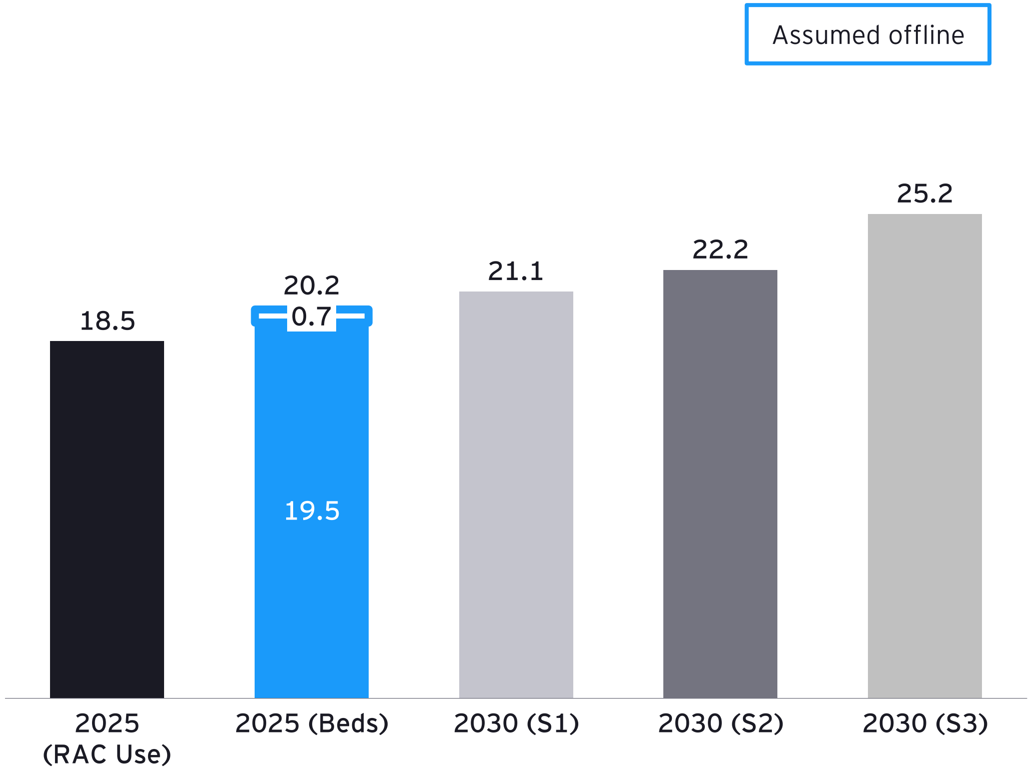
RAC demand scenarios for 2030
Thousand persons



- We have modelled 3 scenarios for residential aged care demand over the next 5 years using different assumptions for the share of people using aged care as a share of that population cohort
- Scenario 1 assumes that the share of population using RAC continues to decline in line with the last decade as support at home uptake increases
- Scenario 2 assumes that the share of population decline continues for three years and then plateaus
- Scenario 3 assumes that the new Support at Home arrangements have no effect on share of population usage, and current share of population usage stays the same

We expect up to 2,700 new beds are needed at a cost of up to $1.8b noting uncertainty due to rising share of support at home

Expected RAC demand
Thousand persons



Implications for supply

- There is uncertainty over RAC demand with a range of between 21.1k and 25.2k persons by 2030 driven by differing assumptions on Support at Home impact
- Our central scenario is Scenario 2 which assumes Support at Home slows RAC uptake but utilisation ultimately stabilises and then tracks population growth
- Scenario 2 implies a growth task of 2,700 additional beds needed in WA by 2030
- This implies investment needs of around $1.8b in new capacity in real terms, based on a construction cost of $650k per bed
  - The $650k per bed construction cost is based on consultations with providers
  - Ultimately the cost per bed will vary depending on location and design of the facility
- This does not account for investment in existing capacity which would include maintenance and replacement of ageing stock which is understood to be significant in WA

Source: ABS WA historical population and ABS WA population forecast medium series, GEN aged care, EY analysis

06

Appendices

Appendix A: Abbreviations

Abbreviation	Description
$	Australian dollars
%	Percent
~	Circa (approximately)
ABS	Australian Bureau of Statistics
ACAR	Aged Care Approvals Round
ACFI	Aged Care Funding Instrument
AIHW	Australian Institute of Health and Welfare
AN-ACC	Australian National Aged Care Classification
b	Billion
BCT	Base care tariff
CAGR	Compound annual growth rate
CFP	Centre for Population Projections
DAP	Daily accommodation payment
DoHAC	Department of Health and Aged Care
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EY	Ernst & Young
FRAACS	Financial report on Australian Aged Care sector
FYXX	Financial year 20XX
GST	Goods and Services Tax
HC	Home Care
HCP	Home Care Package
IHACPA	Independent Health and Aged Care Pricing Authority
k	Thousands
MPIR	Maximum permissible interest rate
NPV	Net present value
p.a.	Per annum

Abbreviation	Description
PAACS	Patients Awaiting Aged Care Services
RAC	Residential Aged Care
RAD	Refundable Accommodation Deposit
SA3	Statistical Area Level 3
Service	WA aged care market analysis and options to stimulate supply
SIRS	Serious Incident Reporting Scheme
TCP	Transition Care Program
WA	Western Australia
WA DoH, The Department, you, Client	WA Department of Health

Appendix B: Data sources used for analysis

Data	Source
Aged care site listing	GEN Aged Care
Home care packages	
Aged care usage	GEN Aged Care - People using aged care and people using residential aged care
Australian historical population (Aus population stock)	ABS - Population - Australia (population at 30 June 1971 onwards)
Australia population (Forecast)	ABS - Population projections, by age and Sex Australia - medium series
WA historical population (WA population stock)	ABS - Population - WA (population at 30 June 1971 onwards)
WA population (Forecast)	ABS - Population projections, by age and Sex WA -medium series
SA3 level population forecast	Bespoke analysis underpinned by various State Government forecasts and Centre for Population Projections ("CFP")

Appendix C: Statewide forecast methodology

Through consultation with both providers and market commentators, a consistent message is that WA reported beds are higher than actual operating beds.

Issues with reported beds:

- 2024 service places data from the GEN Aged Care data based reported 17,317 metro beds and 2,991 non-metro beds in WA.
- Metro occupancy in 2024 was 91% and non-metro occupancy was 84%.
- Operators accounting for ~49% of WA RAC market have nearly all reported over 95% occupancy in both metro and regional areas

RAC use vs operational places in WA, 2024-25

Thousand places

- Consultations with major providers have resulted in a view that metro Perth is operating at close to full capacity (~95%), and that current number of RAC residents reported in metro Perth accounts for 95% of current operating beds (i.e. current occupied beds in addition to the 5% unoccupied beds are the full metro Perth stock of beds).
- Approximately 85% of WA RAC beds are within the metro region along with many offline beds in non-metro areas being driven by staffing, no estimate of non-metro offline beds have been made.

WA population forecast:

- WA level population was forecasted by age cohorts (55-74, 75-84 and 85+) using ABS 2025 figures as initial stock and growing the stock by the medium projection series

Conversion rates:

- There is unmet demand in the WA RAC market, the magnitude of which is unknown. Directly calculating the conversion rate into RAC for age cohorts in WA understates the actual demand for RAC services. Assuming WA's population is similar to that of the rest of Australia, WA's actual conversion rate is expected to broadly align with national conversion rates
- As such, the national conversion rate was used when testing scenarios for future RAC bed demand
- Conversion rates were calculated by the same age cohorts as the population forecasts

Scenarios:

- Scenario 1 (S1) – The share of population using residential aged care continues to decline in line with the last decade as higher needs Home Care package uptake increases as introduction of additional support at home packages are introduced (i.e. continuing the decline in penetration rate for age cohorts 55-74, 75-84 and 85+ over the last decade over the following 6 years (2025-2030))
- Scenario 2 (S2) – Similar to S1, however this scenario assumes the decline in RAC conversion rates will only persists for 3 years (from 2025 to 2027) and plateauing into steady state (i.e. RAC demand after 2027 increases by population growth as the penetration rate for each age cohort remains constant)
- Scenario 3 (S3) – S3 assumes the new support at home arrangements do not have any effect on RAC penetration rates (i.e. a top bound scenario where RAC demand increases by population growth rate) and current penetration rate stays the same

Appendix D: WA metro SA3 key statistics summary

SA3s throughout WA (both metro and regional) experience different levels of demand, supply and growth. The table below and overleaf provides information regarding each SA3 around key demand age groups, supply of RAC beds and key population growth areas compared both the WA and national average.

SA3 Name	Metro/ Non-Metro	RAC Sites	Beds	Residents	75+ pop.	85+ pop.	Share of 85+ pop.			85+ pop. growth			Pop. 85+ per bed		
							SA3	WA	National	SA3	WA	National	SA3	National	Occupancy
Armadale	Metro	6	330	309	5,441	1,268	1.2%	1.9%	2.1%	7.3%	4.4%	2.8%	3.84	2.8	94%
Bayswater - Bassendean	Metro	11	775	719	7,488	2,086	2.3%			1.4%			2.69		93%
Belmont - Victoria Park	Metro	9	714	614	4,776	1,360	1.6%			0.5%			1.90		86%
Canning	Metro	13	1102	1002	7,766	2,251	2.0%			0.4%			2.04		91%
Cockburn	Metro	9	820	778	7,856	2,120	1.6%			6.2%			2.59		95%
Cottesloe - Claremont	Metro	11	956	822	8,295	2,513	3.1%			4.2%			2.63		86%
Fremantle	Metro	7	767	678	3,934	1,136	2.5%			2.2%			1.48		88%
Gosnells	Metro	8	731	667	8,471	2,145	1.5%			5.0%			2.93		91%
Joondalup	Metro	10	708	660	13,691	3,268	1.9%			4.4%			4.62		93%
Kalamunda	Metro	6	459	404	5,960	1,670	2.6%			8.1%			3.64		88%
Kwinana	Metro	1	123	115	2,112	511	0.9%			7.9%			4.15		93%
Mandurah	Metro	10	860	819	15,353	3,856	3.1%			7.1%			4.48		95%
Melville	Metro	16	1414	1168	11,739	3,664	3.2%			1.9%			2.59		83%
Mundaring	Metro	2	167	163	4,340	1,077	2.3%			7.6%			6.45		98%
Perth City	Metro	24	1780	1616	7,734	2,303	1.8%			1.7%			1.29		91%
Rockingham	Metro	8	770	741	9,854	2,376	1.5%			4.4%			3.09		96%
Serpentine - Jarrahdale	Metro	1	68	63	1,537	304	0.8%			7.8%			4.47		93%
South Perth	Metro	10	1043	803	4,138	1,156	2.4%			-0.4%			1.11		77%
Stirling	Metro	20	1857	1792	19,787	6,276	2.7%			4.0%			3.38		96%
Swan	Metro	8	714	675	8,229	2,006	1.2%			7.4%			2.81		95%
Wanneroo	Metro	11	1159	1088	12,724	3,101	1.3%			6.6%			2.68		94%

Source: ABS, Gen aged care 2023-2024, EY analysis

Appendix D: WA regional SA3 key statistics summary

SA3 Name	Metro/ Non-Metro	RAC Sites	Beds	Residents	75+ pop.	85+ pop.	Share of 85+ pop.			85+ pop. growth			Pop. 85+ per bed		
							SA3	WA	National	SA3	WA	National	SA3	National	Occupancy
Albany	Non-Metro	8	488	410	7,098	1,859	2.8%	1.9%	2.1%	4.3%	4.4%	2.8%	3.81	2.8	84%
Augusta - Margaret River - Busselton	Non-Metro	5	463	376	6,410	1,558	2.4%			5.4%			3.37		81%
Bunbury	Non-Metro	10	814	731	10,059	2,426	2.1%			5.5%			2.98		90%
East Pilbara	Non-Metro	1	56	37	244	61	0.2%			27.6%			1.09		66%
Esperance	Non-Metro	1	104	89	1,642	410	2.4%			7.4%			3.94		86%
Goldfields	Non-Metro	3	140	94	1,368	273	0.7%			8.1%			1.95		67%
Kimberley	Non-Metro	4	166	107	931	162	0.4%			5.7%			0.98		64%
Manjimup	Non-Metro	4	137	132	2,745	598	2.3%			4.8%			4.36		96%
Mid West	Non-Metro	3	281	271	5,080	1,296	2.2%			5.9%			4.61		96%
West Pilbara	Non-Metro	1	30	15	228	32	0.1%			21.7%			1.07		50%
Wheat Belt - North	Non-Metro	4	151	130	6,142	1,464	2.4%			6.6%			9.70		86%
Wheat Belt - South	Non-Metro	4	161	132	2,044	501	2.5%			5.7%			3.11		82%

Source: *ABS, Gen aged care 2023-2024, EY analysis*

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