

TURNING SILVER INTO GOLD

A LOOK AT THE SENIOR LIVING OPPORTUNITY IN CHINA & U.S.

OCTOBER 2016



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EXECUTIVE SUMMARY

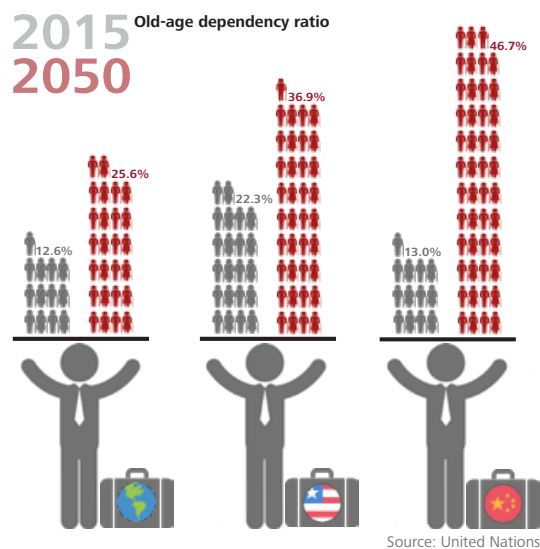
SETTING THE SCENE

- In the US, medical insurance supports a mature Senior Living market across a broad spectrum of lodging types from active living to end-of-life care.
- In China, the sector is in its infancy and focusses on State-run end-of-life care. This is about to change.



DEMOGRAPHICS

- China is a demographic time bomb.
- Globally, boomers are expected to 'come of age' boosting demand for senior housing significantly over the next 10 years.



TRENDS

- The majority of retirees would still rather age at home, however the development of appealing, purpose-built communities is attracting increasing numbers to Senior Living.
- Hotel companies are aware of the opportunity, but are keeping it at arms length...for now
- There is increasing demand for communities in urban environments, proximate to culture, education and accessible to family members.
- There is still, however, a market for senior housing in tourist areas although it may be somewhat seasonal.
- Multigenerational environments are evermore preferred to age-restricted communities.
- Seniors increasingly expect 'hotel-like' facilities and services with wellness featuring highly.
- Lifestyle or 'affinity' communities offer an opportunity to seniors who wish to age among the like-minded.

DESIGN

- Welcoming and contextual architecture paired with fresh and contemporary interiors.
- Flexibility is crucial to allow residents to age with grace.
- Technology design is essential, aiding not only residents but also staff in day to day monitoring.
- Seniors don't want to be a burden on a community, they want to contribute to the whole.
- F+B concepts are moving away from the traditional dining hall giving residents and visitors more options.
- Wellness and fitness go beyond the traditional gym and water aerobics.
- Amenities should be tailored to the destination to create unique selling-points.

BUSINESS MODELS

- An operational element, even if a very 'light touch' at the active living end, is inevitable across the Senior Living spectrum.
- The engagement of an experienced operator is therefore a pre-requisite.
- The operator should be engaged at the development stage, where possible.
- In both China and the US, leasehold, whether on a short-term basis or 'life lease', is the most prominent business model.
- Freehold 'for sale' units can be developed at the active/independent living end of the spectrum.
- In such instances, they should be sensitively designed for seniors and have the ability to retrofit additional services as needs change.
- A developer may be able to find an institutional investor to provide capital funding for these slow returning assets.
- A proven model, that overcomes the varying needs of stakeholders, is for an operator to develop, then sell to a third party but retain operational responsibilities.

RECOMMENDATIONS & OPPORTUNITIES

- There is clearly a growing opportunity for potential stakeholders to invest in, develop and operate Senior Living as a large number of retirees 'come of age'.
- There is no 'one-size-fits-all'. New models will be developed going forward that may be more attractive to both resident and developer.
- Including a sensitively designed residential component that appeals to the senior market within a larger multigenerational facility community minimises risk.
- The inclusion of a nursing home in the development programme of an integrated community can service residents in their own homes and will boost the appeal of the community to seniors.



Taikan Senior Living Resort Community China, Designed by WATG

INTRODUCTION

Across the world a combination of advances in healthcare and falling birth rates is resulting in elongated periods of retirement and ageing populations. This shift in demographics will invariably impact housing requirements as the needs and wants of this market segment evolve. As a result, a period of experimentation is underway. Developers, operators and governments are seeking to develop solutions that match the expectations of both occupiers and investors. To date, no single model has emerged and clearly there is no 'one size fits all' solution. Contextual variations to be considered include, but are not limited to, location, culture, government policy, income levels, insurance infrastructure and the individual's medical dependency.

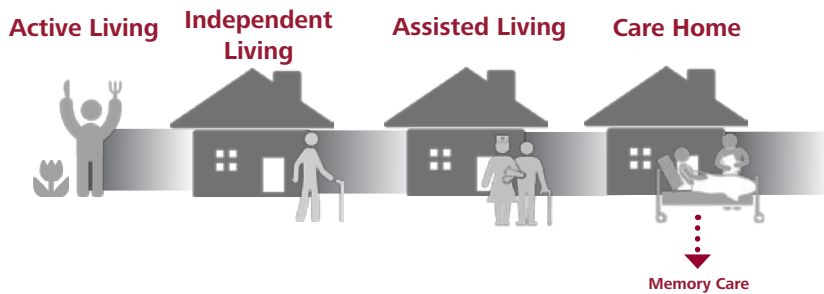
WATG have interviewed a cross section of current and potential stakeholders in the senior housing industry. By combining these market insights with our experience, we have developed a base of understanding of the challenges and opportunities within this growing real estate sector.

In this paper a selection of the major issues currently impacting the retirement living sector are analysed and the prevailing business models are placed under the microscope. The paper focusses specifically on the US and China, and looks at the trends that drive and differentiate Senior Living development in the world's two largest economies.

Setting The Scene

US SNAPSHOT

The US Senior Living sector is well established, with approximately 1.9 million units in operation by the private sector. Active and independent living (see diagram below) have proved popular among a section of retirees. With only 'light' medical support integrated into these developments, occupiers are open to 'retirement living' as a lifestyle choice rather than a necessity.



If or when additional care is needed, assisted living, nursing and memory care offer a greater level of medical support. Often each of these living options can be found within a larger Senior Living community allowing a seamless flow through the care process.

In the US, independent living residents are generally 75 to 85 years old. They typically remain in this type of property for 8 to 10 years before transitioning to assisted living for around two years and then on to nursing care for around one year.

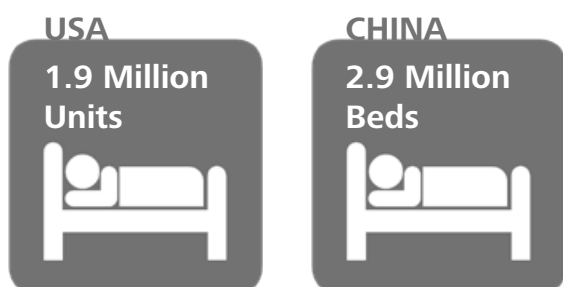
In the US, senior housing is paid for directly by the occupiers or through the support of medical insurance packages.

A number of larger operators are increasingly experienced in developing senior housing although the market is still dominated by smaller independent operations.

'60% of all 1.9 million units in the US are owned by companies that own 10 or less communities and half of that number are owned by families or companies that own only one building.'

- John Rijos, Chicago Pacific Founders

Typically, senior housing is paid for either on a rental based leasehold or on a 'life lease' basis with a substantial membership fee that is typically paid on entry and determined by the resident's age.



Source: John Rijos, China Ministry of Social Affairs

CHINA SNAPSHOT

Senior Living in China is currently focussed on supporting the medical requirements of ageing Chinese, at the assisted living stage through to end-of-life care.

According to the China Ministry of Social Affairs there are 2.9 million beds across 25,000 communities. Historically, the preference of both the State and the individual has been to age at home for as long as possible. The culturally imbedded Confucian ideal of filial piety has gone a long way to support this policy. State-run senior housing is institutional in nature and supports end of life care at a time when the family unit can no longer take care of the individual.

However, the ageing population, exacerbated by the one-child policy, and an increasingly mobile workforce, has left the family unit unable to support the older generation. An increase in the prevalence of Senior Living is inevitable. This represents a significant opportunity for those developers and investors who are able to develop a considered, market facing product.

'In China, Senior Living is currently focussed on the last stages of the Senior Living cycle, whereas in the US it is more evenly distributed including independent and active living.'

- May Mei, Merrill Gardens



Demand for Senior Living is witnessing global growth as a result of two major forces:

**Demographic push factors
&
Lifestyle pull factors.**

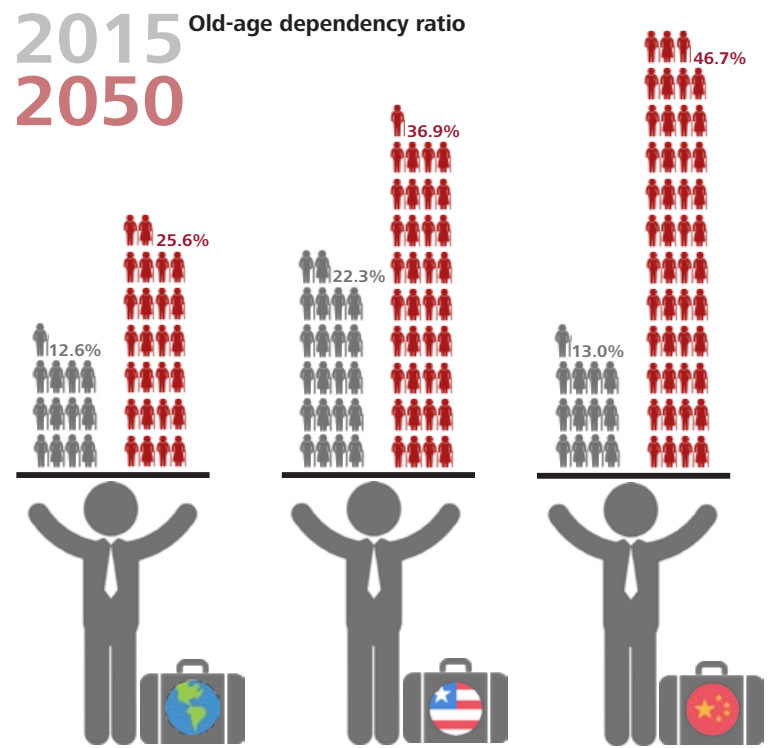
Demographics

Increased life expectancy and falling birth rates are resulting in ageing populations in a number of major economies around the world. This well documented phenomenon is perhaps most clearly witnessed through the analysis of Old Age Dependency Ratios. Old Age Dependency Ratios illustrate the relationship between the number of seniors in an economy in relation to the size of the working age population. As the Old Age Dependency Ratio of a country rises, the question of how to pay for, care for and house this growing number of dependents arises.

The data shows that the proportion of people aged 65 or over is forecast to increase dramatically over the next 40 years. This is particularly pronounced in China, growing from 13 percent to almost 50 percent by 2050. This seismic shift will, to a large extent, render the traditional notion of ageing at home supported by the younger generation unsustainable.

Deloitte estimate that by 2050, there will be a requirement for an additional 3.9 - 5.2 million new beds for elder care in China.

China is not alone, the US will also see a significant growth in its Old Age Dependency Ratio from 22% to 37%. The demanding, and relatively high-income, boomer generation, will be 'coming of age' over the next five to ten years. There are therefore plentiful opportunities to develop housing options for this silver tsunami. The opportunity in China is particularly apparent due to the scale of the increase and the relative infancy of the Senior Living sector.



Source: United Nations



Senior Living Community near Shanghai, Designed by WATG



Taikan Senior Living Resort Community China, Designed by WATG

Decisions, Decisions

In the US, retirement communities that appeal to the lifestyle demands of seniors, as opposed to their medical requirements, are nothing new. In destinations such as Florida, Arizona and South Carolina the appeal of safe, gated communities, a pleasant year round climate and resort style amenities has drawn retirees since the 1960s.

The most high profile such community is arguably The Villages which has grown over the last 15 years to accommodate almost 120,000 residents and offers extensive-resort style recreational facilities.

China has a similar pattern of senior migration, although it is a more recent phenomenon. The bucolic Yunnan province and the beaches of Hainan Island are increasingly attracting seniors. This is, however, typically on a more temporary basis as they flee the freezing conditions of the north of the country from November until April. Each year, according to government statistics, around 400,000 to 500,000 seniors spend the winters in Hainan, it is thought that in due course an increasing number will stay year-round.

AGEING AT HOME

The desire to age in place, at home, is still by far the most popular option for seniors. This holds true in both the US and China.

65+ who wish to age at home:

CHINA 97% **U.S. 87%**

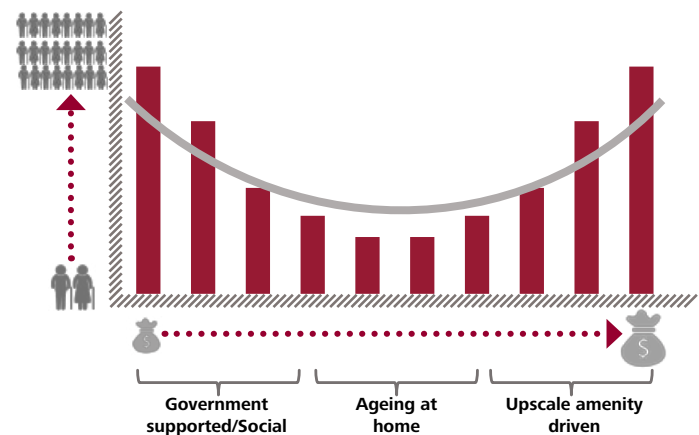
Source: AARP

Younger generations in both countries appear more open minded to the prospect of senior community living. Almost 30 percent of Americans aged 50 to 64 are open to Senior Living care. This indicates a shift in attitude when it comes to boomers. Among China's High Net Worth Individuals (HNWI) a similar trend is also observed.

Increasingly Chinese HNWI are interested in high-end senior communities. A preference to age at home fell from 85% to 63% between 2015 and 2016 and those under 35 were far more interested in dedicated retirement living at some point in the future - Hurun Report 2016.

WEALTH AND SENIOR LIVING RELATIONSHIP

Historically, wherever you are in the world, those who have lived in Senior Living communities have tended either to be lower-income (in government supported institutions) or wealthy.



At the higher-income bracket, the development of appealing, upscale, lifestyle driven hotel-like alternatives to home has increased the popularity of Senior Living communities.

It is the middle-income sector that has typically aged at home for as long as possible. However, these seniors, whether Chinese or American, are increasingly considering alternatives thus offering developers and providers of Senior Living an interesting new opportunity.

WHAT IS CAUSING THIS SHIFT?

- **Cash-rich boomers** entering the market with a different view on ageing.
- **More choice on offer** - an increased supply of appealing amenitised communities, particularly in the US.
- **Lifestyle communities** increasingly meeting the specific needs and wants of seniors.
- **A desire to downsize** and release equity from existing property.
- **Hassle free** and low maintenance properties with on-site services appears to have growing appeal.
- **Peace of mind** of having security and medical support on-site.
- **Pragmatism and a wish for control** - they may have witnessed their parents leaving decisions too late.

Trends in Senior Living

As the Senior Living sector begins to come of age there are a few notable trends being witnessed:

PREFERRED LOCATION - TRENDING URBAN

The first generation of Senior Living developments in the US, (particularly at the independent living end of the spectrum), were generally located in suburban or resort settings. They were typically strictly age-restricted communities such as the aforementioned Villages in Florida.

This has shifted somewhat with growth in demand for senior housing within the urban fabric of cities and large towns in the both the US and China. New retirees are favouring convenient, animated, accessible and familiar environments over lesser known, out-of-town alternatives. Previous generations of retirees are also increasingly returning to the security, medical infrastructure and convenience of more urbanised communities.

It should be noted that as the market for active and independent living in China matures, there is likely to be growth in demand for urban, more traditional suburban and resort community locations.

'20 years ago, seniors wanted to move to Florida to enjoy the nice weather and play golf. They have done that and now in their mid seventies, want to move back close to their families in cities.'

-John Rijos, Chicago Pacific Founders

Proximity to friends and family and the ability to 'age in place' within a local community are driving this trend. Access to educational facilities enabling life long learning, stimulation by the arts and culture and engaging in dynamic multigenerational environments, where age is less important, is an increasingly appealing prospect to the next generation of retirees.

CASE STUDY: VENTANA

Ventana by Buckner is one such development that is looking to attract Dallas residents to downsize into a local, fully amenitised apartment block in a familiar area of town. Ventana is a Continuing Care Retirement Community (CCRC) that will offer independent living to new residents, but also includes the full spectrum of care within the property including assisted living, nursing home and memory care.

The Hurun Report in 2016 highlighted the increasingly urban preference for Chinese HNWI retirees:

52% wished to retire in their city of residence

34% favoured a tourist destination

15% preferred a bustling city core

INTEGRATED COMMUNITIES

The development of Senior Living accommodation integrated within larger, mixed-use developments is another trend gaining traction in a number of global markets. Being part of a multi-generational community with access to civic, retail, dining and entertainment, proximity to family and friends and having the support of a mixed community around them is highly appealing.

'You are unlikely see 65 to 75 year olds who want to move into 'senior-only' communities, that is a downstream decision.'

- Gavin Stein, Elysian Residences

From a developer's point of view, creating senior housing as part of integrated projects is less risky than building single-use developments. Senior housing offers an additional, dynamic, element to a mixed-use scheme and an extra buyer pool to target. Senior Living predominantly operates on a leasehold model and, as such, offers developers a longer pay back period. Integrated communities allow developers to mitigate this slower return with for-sale elements elsewhere in the scheme.

CASE STUDY: POLY REAL ESTATE

Chinese Developer Poly Real Estate plans to develop at least 2% of gross floor area as senior apartments in their large new communities. Poly is looking to create a 'three-in-one' elderly care model that offers in-home care, community care and institutional care within its developments with a focus on 'age-friendly' design of apartments around a more centralised care facility. The company aims to build 80 Senior Living projects in China over the next five years.

The inclusion of a Senior Living component within a larger community can create a base from which to launch in-home care services to the wider community, a value added service for the buyers of real estate and an opportunity to support ageing in place.

The opportunity for integrated communities is particularly apparent in China where large-scale planned communities are the norm and developers are looking for ways in which to create a competitive and marketable advantage.

CASE STUDY: THE UNIVERSITY, SEATTLE

Merrill Gardens have developed a successful mixed-use, intergenerational community model. At The University, Seattle, 123 active and independent living apartments are combined with 103 standard residential apartments within the same new-build urban community. The separation of the two distinct residential communities is key while maintaining connection through shared amenity and retail. The high levels of occupancy are testament to the concept's popularity.

AMENITIES

With the high expectations of incoming boomers, Senior Living communities require an increasingly creative and flexible mix of amenities.

WELLNESS

Wellness facilities need to be well considered as boomers place importance on physical and mental health. The incorporation of state-of-the-art fitness centres including hydrotherapy, studio spaces, as well as soft programming to include a roster of visiting healthcare experts is highly appealing to potential buyers.

Wellness should seamlessly extend to outdoor spaces through the incorporation of a considered landscape strategy. Gardens, allotments, pet parks, community spaces etc, are often incorporated to increase the marketability and appeal of housing. This is particularly the case in the US market.

MEDICAL

Interestingly, feedback from operators in both the US and China indicates that the requirement for a medical centre on site is only justified if the community is developed at scale. Access to local facilities or home visits can suffice. As residents age, the needs of a community changes and a more substantial medical element may be needed, more in line with assisted living and end-of-life care. Therefore, the potential to retrofit medical support into active and independent living units is worth considering in advance.

'Of those entering Senior Living, with an average age of 80, 80% will not need medical support; ten years later, 80% will need assistance.'

- Gavin Stein, Elysian Residences

HOTEL-ESQUE AMENITY

Upscale, hotel quality, leisure based amenity is a further way to enhance a community and is increasingly expected by prospective occupiers. Soft programming is, in many ways, as important as built facilities, however, spaces dedicated to host such activities is often overlooked. For example, lifelong learning taught by visiting teachers, whether cookery, language or IT skills, require dedicated spaces. With regards to food and beverage, the growing trend is for senior communities to look and feel more and more like hotels with multiple dining venues, flexible menus and extended dining times.

CASE STUDY: VIVANTE, CALIFORNIA

Vivante on the coast in California has placed importance on its amenity provision, equipped with 1,000 sqm of communal recreation space for 185 units. Leisure facilities include games rooms, cinema and an art studio along with multiple dining outlets and, externally, a putting green, pet park and yoga decks. This is something of a playground for retirees. A schedule of activities is run throughout the day including guest speakers, exercise sessions, lifelong learning, 'brain fit' activities, etc.

SOCIAL SPACES

The creation of a 'main street' or central courtyard where residents can congregate to socialise, dine and shop is a key selling tool in larger communities. This can be replicated at ground level in high rise or more modestly scaled communities. In the case of mixed-use communities, the location of senior accommodation above or close to the main commercial and civic hub is a good way to ensure integration and appeal.

LIFESTYLE COMMUNITIES

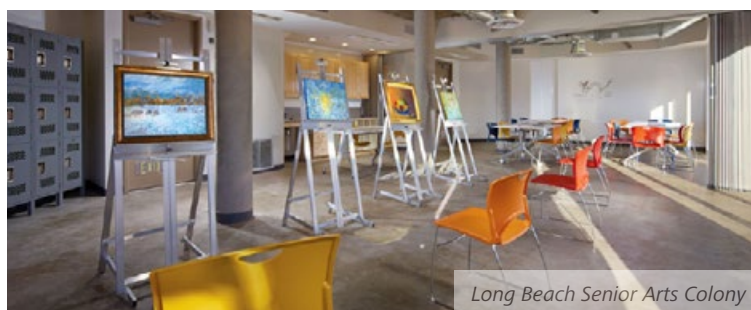
There is a growing demand for niche or affinity Senior Living communities. These attract those who can be anywhere from 55+ and want to live alongside like-minded people in their retirement years. Examples of such lifestyle groups include nationality specific communities, retired university professors, vegetarians or art lovers. One of the fastest-growing forms of niche Senior Living is university-based retirement communities, where old alumni or residents with an academic connection can continue their academic lifestyle/study alongside like-minded neighbours. Seniors like to be surrounded by those with similar affinities and it is possible to provide specifically tailored experiences, activities and surroundings that tie into these interests. Affinity communities are primarily being witnessed in the US and UK where they have grown in popularity over the past five years but are expected to become a mainstay of the global Senior Living environment.

CASE STUDY: LONG BEACH SENIOR ARTS COLONY

In the Long Beach Senior Arts Colony, US, facilities include a gallery, art and dance studios, a theatre-style clubhouse and classes in art and creative activities.



BA River Wellness Community China, Designed by WATG



Long Beach Senior Arts Colony

Hotels Operators are out... For now

At first glance, the Senior Living sector and the hotel industry appear highly synergistic. However, to date, hotel companies' involvement has been limited and short-term. Two international operators with experience in Senior Living, Marriott and Hyatt, have to a large extent divested their interest in the sector. Marriott sold Marriott Senior Living Services in 2002 and Classic Residences by Hyatt changed its name to Vi Senior Living in 2010 and operates just ten North American communities, very much at arms length from its hotel operations.

One barrier for the hotel companies is that brand resonance appears to be less important in this sector. Brands help to inform time sensitive consumers of the general expectations of a product. The selection of a Senior Living community is typically weighed up with far more scrutiny. That said, branding may have a place going forward in Senior Living in specific geographies. In China for example, where there are fewer options and less transparency in the sector, an international hotel brand may offer a hallmark of quality that reassures potential occupiers.

From the hotel operator's view, feedback suggests that there is a degree of timidity that association with the Senior Living sector may 'erode' the brand quality of the wider company and a luxury hospitality image.

A further barrier to hotel company involvement in the sector is the operational intensiveness and expertise required. This makes it difficult to expand quickly while maintaining the level of quality required to ensure maintenance of brand integrity.

Over the following pages we study three of the main business models currently preferred for the development of Senior Living across the US and China.

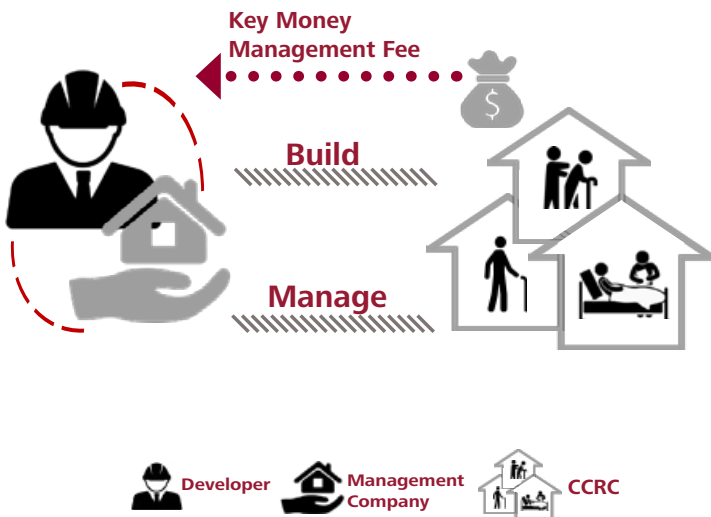


InterContinental Qiandaohu, Designed by WATG

1

OPERATING MODELS

Continuing Care Retirement Communities (CCRC)



- Combines the full spectrum of services within one community.
- Operators such as Brookdale Senior Living in the US, Starcastle in China and HKHS in Hong Kong are well versed in the operational requirements and will typically undertake the development.
- The sale of the business to a Private Equity Firm/Insurer/REIT may then follow, while retaining management responsibilities.
- Operator fees are typically around 5% of revenues.
- The resident will pay a substantial entry fee plus a monthly management fee.
- These are often called life leases as housing tenure/care is granted to the point of death.
- This model offers the opportunity for seniors to transition from independent living through to assisted living and then to care home under the same contract and often within the same facility.

PROS

- Peace of mind of a lifetime of care
- Transition through facilities as requirements change
- Age in place

OCCUPIER

- Life Lease - no property title or invested / sellable asset
- A multitude of fees increasing with care requirements
- Refunds for early termination can be punitive

CONS

DEVELOPER / OWNER

- Freehold retained with the option to 'sell' time and time again
- Multitude of revenue streams including entry fees and management/care fees
- Slow returns on investment / pay back period
- Relationship with operator must be water tight to give comfort to occupiers

CASE STUDY: HKHS

HKHS operate two subsidised CCRC projects in Hong Kong for middle-income seniors. On the upper floors of these high-rise developments are apartments sensitively designed for the needs of ageing occupiers. On the lower floors, 15 to 20 percent of the total beds are dedicated to a nursing home facility.

An entry payment is made for a 'life lease' on top of which is a monthly management fee, Additional fees for care/nursing are required. Typically, 80% of residents are aged 70 to 80 years old. Residents can receive care within their units and, as requirements grow greater, there is also the option to move into the care home permanently.

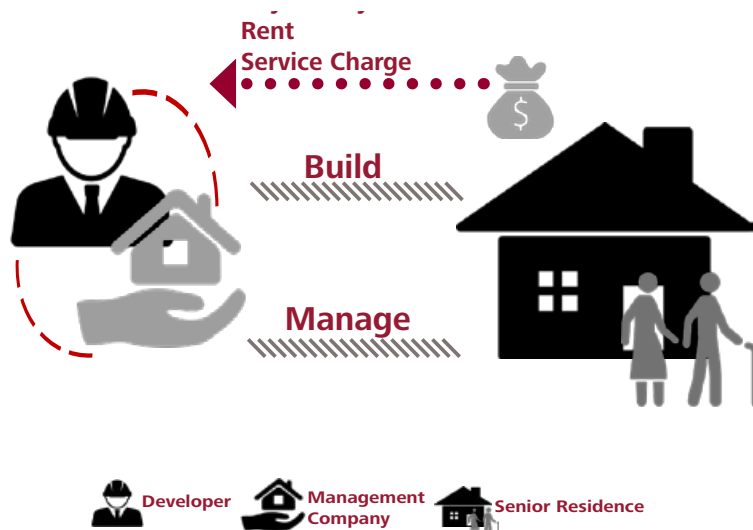
HKHS tried to engage with medical partners to operate the nursing home, but have instead taken on the operation themselves.

Tanner Hill, a new project, was launched by HKHS at the end of 2015, targeting middle to high-income HK residents at full market value. In addition to the life lease there is a shorter two-year fixed lease option. Initial interest has been followed by slow uptake and HKHS are going to relaunch, maintaining more flexibility on tenure.

As Patrick Tsang, GM Planning & Development says, 'This is a new product and the market needs time to respond to the business model'.

2

OPERATING MODELS *BUILD + RENT*



- Developers and/or operators such as Merrill Gardens (in the US and China) build and manage senior housing and charge rent directly to occupier.
- This model applies to the active/independent living model right through to assisted and memory care.
- The operator must be experienced and hands-on.
- The occupier can age-in-place, transitioning through the different care facilities, paying increasing levels of rent/fees as their personal requirements increase.

PROS

CONS

OCCUPIER

- Flexibility - no life lease or long-term contract.
- No upfront fees.
- Bespoke care and accommodation on offer as required on a 'pay-as-you-go' basis.
- As needs evolve, care is available.

- Monthly rent likely to be expensive.
- No property title.

DEVELOPER / OWNER

- Popular model with residents, project likely to be well received with strong occupancy potential.
- Flexible contracts with occupiers.

- Slow returns from initial investment.
- Must be hands-on operationally.

CASE STUDY: Merrill Gardens in China

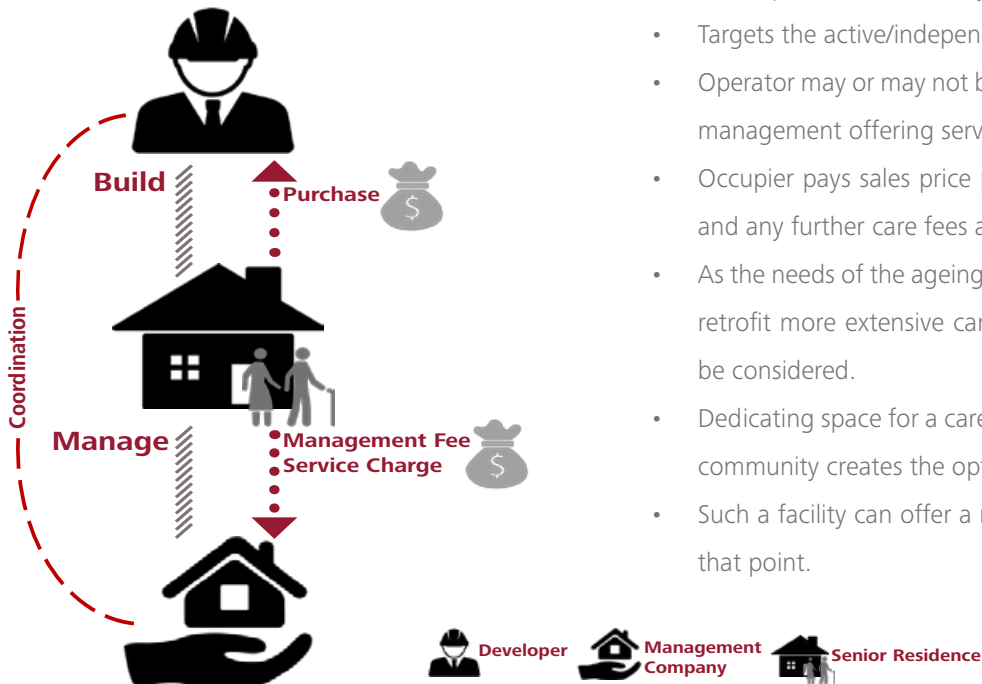
Merrill Gardens develops and operates Senior Living in both the US and China and understands well the different approach that is needed when moving into new markets. Typically, Merrill Gardens operates under a rental model. Each project has around 200 units and includes independent, assisted living and memory care within the same development.

In China, the operator has focussed less on independent living and more on assisted living and care services as determined by local market demand dynamics. Merrill Gardens typically partner with local Chinese developers to develop senior housing components in larger mixed-use, out-of-town schemes.

In an urban context, where demand is growing and premium rent can be achieved, Merrill Gardens primarily looks to renovation and conversion opportunities of existing commercial or hotel space. These local operations support the wider community with assisted living and memory care as well as providing surrounding residents with in-home care services.

3

OPERATING MODELS *BUILD + SELL*



- Developer builds sensitively designed units and sells directly to seniors.
- Targets the active/independent living end of the spectrum.
- Operator may or may not be required, although some level of facilities management offering services will help with the marketability.
- Occupier pays sales price plus a service charge for maintenance etc, and any further care fees are paid for separately.
- As the needs of the ageing community change over time the ability to retrofit more extensive care provision into the existing buildings can be considered.
- Dedicating space for a care home/nursing facility within an integrated community creates the option/security of a next step close to home.
- Such a facility can offer a range of services in resident's homes up to that point.

PROS

CONS

OCCUPIER

- Great for downsizing.
- Community Spirit.
- Amenities/activity programme.
- Lock up and leave/ low maintenance.
- Allows for some supervision.
- Property title - an investment to pass to next of kin.
- Can cherry pick additional services appropriate to requirements - not lots of fees.

- Not as permanent as CCRC – may need to move into assisted care downstream as medical requirements dictate.
- May not want to move out of the family home until absolutely necessary.
- Why not age-in-place, property transaction costs are high.
- Stigma of moving into an age-restricted community.
- Re-sales can be challenging.

DEVELOPER / OWNER

- Quick injection of cash on sale, an attractive developer model with generally healthy returns.
- Divest from project quickly
- No requirement to get operationally involved, although an alliance with an operator may help with proposition to buyers.

- Limited activity to date.
- Often no premiums associated with sales prices.
- Limits buyer pool when compared to straight residential
- There are rarely any planning incentives to develop instead of standard residential.
- Often will need to combine with an assisted living facility that requires further consideration/operational skills/appetite.

Future Business Models

There is no 'one size fits all' approach that we have identified and experimentation continues to find the right business model for each specific location and situation. The life-leasehold model and the rental model, both successful in the US, have somewhat struggled in China where property title is deemed important and occupiers are reluctant to use savings on leasehold accommodation that leaves nothing to pass on to the next of kin.

In the established US market, we anticipate a continuation of the life leasehold model. However, as the boomers enter the market, there may be increased demand for flexibility. Therefore rental models and / or life leaseholds with termination /transfer clauses are likely to increase in popularity.

In China, developers are keen to enter the sector, particularly as the residential market is heavily oversupplied. However, the government has not determined how to best evaluate the land premium required for this type of project. Senior Living is currently bracketed alongside hotel / serviced apartment land-use in the case of a long-leasehold or as residential in the case of freehold. As Senior Living, to date, does not achieve notable premiums and overall returns are generally slower than alternatives, developers are not competitive at land auction and therefore senior housing is being under supplied.

Swire Properties have studied the market in Hong Kong and the mainland for over a decade and are still waiting for the right model before embarking in the sector. Director and Senior Advisor Elizabeth Kok believes that government incentives will be required before senior housing becomes a viable land use when considered against multigenerational residential.

In elderly housing, payback periods are typically 10-15 years, most developers however, typically look for a far quicker exit.

Poly Real Estate President Song Guangju has indicated that, as the government will not give subsidies for Senior Living land, one cannot expect short-term profit. The company is taking a long-term term view on the sector and is getting used to the idea of slower returns.

It is likely that, in due course, investors with slower, but more stable return expectations such as insurance companies and pension funds will find ways to partner with experienced developers and operators, as is common practice in the US. Poly Real Estate are exploring such an arrangement with Taijin Credit Insurance Fund.

Developer appetite is typically for a develop and sale model, and although this ticks the box regarding tenure for the Chinese market, potential buyers are concerned that once the units are sold, there is no guarantee of upkeep or operational support.

The life leasehold model has many challenges in the China market, but a modified version could work. The Chinese antipathy to leasehold may change over time, as has largely been the case with other imported concepts (acceptance over time of debt funding etc).

Merrill Gardens is experimenting with a long leasehold model that is transferable or passes to the next of kin, similar to a freehold, on top of which you pay a management charge and additional care packages, this might strike a positive chord as a 'happy medium'.

Currently, refund clauses in the life lease model do exist but are punitive. If the occupier terminates or dies in 10 to 15 years then a refund could be made of 5 to 10 percent of the buy-in. If however the developer/operator could extend the refund period towards 20 to 30 years and return 40 to 50 percent, then it is likely that this would appeal far more to the Chinese market.



Hong Kong Housing Society Retirement Project, Designed by WATG

Design Trends (WATG Experience)

Design has a huge impact on improving residents' mental and physical health. Traditionally, senior living developments had negative preconceptions as stark or clinical, however, great design can help overcome these assumptions. Approaching senior living design from a hospitality perspective can lead to a five-star experience within the aging community and create a higher quality of life for residents.

"Bringing our hospitality design expertise into Senior Living, we focus on creating meaningful and exciting environments for seniors to enjoy, while keeping advanced support and health services working seamlessly in the background. The result is the ideal balance of function and user experience, offering an extremely high-quality lifestyle to seniors."

"Senior Living is headed toward more hospitality-based design. Seniors now are well-travelled, internet savvy, informed and active. They are accustomed to a high level of amenities, options for entertainment and dining, and fulfilling social lives. As hospitality designers, we understand how to tailor the experience to satisfy these needs, while providing the necessary services to make it function efficiently."

-Suling Roth, Associate, Project Designer, WATG



Architecture and Interiors

In terms of design trends, we recommend interiors that are fresh and contemporary and an architectural vernacular that responds to the destination. Strategic lighting can create warmth and aid in aging sight problems. The senior population doesn't want the design to make them feel old, it should reflect their lively personalities to keep spirits high.



Flexibility

Flexibility is crucial. The design of units should allow residents to age in place with all the necessary functionality to adapt to changing levels of mobility. Creating flexible public areas allows for a greater variety of amenities and activities for residents and visitors. Modular components may be used to create "pop-up" shops that can cater toward any event need.



Technology

Technology is essential so residents can stay connected to family and friends. Technology design is also enabling developers and management teams to gather data that can influence tailored activity or care plans for residents. Wireless technologies capture vital signs and activity to allow physicians and medical teams to respond to individual's needs in real-time.



Community Integration

It is essential that senior living developments are meshed into the surrounding larger community. This may be through the flexible use of spaces that can allow for different uses. Residents may be avid gardeners; expert seamstresses or tailors; painters or ceramicists – whatever their passion it can be harnessed to host a monthly farmers market or craft fair, inviting the community in. Create places and opportunities for them to contribute. Seniors don't want to be a burden on a community, they want to contribute to the whole.

Physical design connections to the surrounding community in the form of walking trails or a public park/garden can connect residents to the outdoors and the neighboring areas.



F+B

Grab-and-go markets; multiple boutique dining options; exposition kitchens; communal dining – these concepts have all made their way into the hospitality realm and are now influencing a move away from the traditional dining hall in senior living developments. Residents want choices and don't want to live on the schedule of one dining hall. This allows them more flexibility in their day for additional activities. This also opens the opportunity for developers to bring in interesting dining concepts which could generate additional revenue.



Wellness and Mindfulness

Wellness spaces need to go beyond the traditional gym or workout room. Providing spaces within the resident's unit and in the outdoor areas (when/where weather permits) gives them additional opportunities to focus on wellbeing.



Unique Amenities

Tailor the amenities to the location. A senior living community in Northern California may include a tasting room for wine enthusiasts while a community located in a more rural area may offer greenhouse and gardening areas for residents.

OPPORTUNITIES & RECOMMENDATIONS

- There is clearly an opportunity for various stakeholders to engage in this growing market as large number of retirees 'come of age'.
 - The US market is mature, while in China it is finding its feet. Going forward both markets will see models evolving.
 - There is increasing demand from residents for communities located in urban environments proximate to culture, education and accessible to family members.
 - Middle to high-income seniors' expectations are growing, they want a community that provides hotel-standard amenities.
 - Including a sensitively designed residential component that appeals to the senior market within a larger multigenerational community is a good way to enter the sector while minimising risk.
- The inclusion of a nursing home in the development programme of an integrated community can service residents in their own homes and will boost the appeal of the community to seniors.
 - The sector typically requires a medium- to long-term investment, stakeholders should be aware of this and, if required, consider potential exit strategies.
 - Demand for freehold senior housing has been limited to date due to fears that investments may not hold value. This is due to the uncertainty regarding selling on property as well as apprehension from prospective buyers that communal facilities and services may not be maintained.
 - When entering the sector, at whatever level, engagement of an experienced operator is recommended. They understand the required features of the finished product.
 - There is no 'one-size-fits-all'. New models will be developed going forward that may be more attractive to both resident and developer. Life lease does not necessarily mean for life, a leasehold that gives transferable rights or attractive termination clauses is likely to be appealing.
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With Thanks



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