

Building integrated retirement villages

BY LAM JIAN WYN

The retirement living sector is in its infancy, hobbled by challenges such as high upfront cost, slower return on investment and a lack of expertise in the field.

While property developers largely agree that there is a market for retirement villages, only a handful of projects have been aimed at seniors. Two were Mont'Kiara Sophia in Mont'Kiara and AraGreens in Ara Damansara, which were high-rise homes designed with senior-friendly facilities and sold at a premium to market price. As forward-thinking as they were, the projects failed to take off as they lacked two crucial components — an on-site aged-care facility and a healthcare operator.

"So, a lot of developers said retirement villages were a very good idea, but they never got around to doing it ... they don't put their money where their mouth is! It's probably because it is a very niche market and they do not have the expertise," says Performance Management & Delivery Unit (Pemandu) director of healthcare and low-income households, Dr Chua Hong Teck.

However, the government is working towards giving the sector a growth spurt. The first draft of the proposed Aged Healthcare Act is being finalised and is expected to be tabled and passed by year-end.

The proposed act will pave the way for the government to set up legal and financial structures that can support the development of retirement villages and aged-care facilities, such as reverse mortgages, insurance coverage of nursing care and other provisions to protect property ownership in case of long-term leases of such residences, says Chua.

Although the act has not been passed, it has not deterred Eden-on-the-Park Sdn Bhd (EOTP) from embarking on its maiden project — an integrated retirement village of the same name on an eight-acre freehold parcel in Kuching.

EOTP was founded by a group of Sarawakians comprising a resort owner, an engineer, a few lawyers, and a financial consultant. All had worked abroad. They are funding this project, which has an estimated gross development value of RM150 million, via private equity.

The village comprises 104 luxury apartments and 14 exclusive 1-storey villas for active senior living, as well as an aged-care residence.

The apartments, which have a built-up of 1,200 to 1,500 sq ft, are dual-key units, which means that a regular apartment is bundled with a studio unit and has separate entrances. The studio unit may either be used by visitors or rented out to other residents, says EOTP managing director Victor Fong.

Meanwhile, the villas (1,800 to 2,000 sq ft) are priced at RM1 million to RM1.2 million and are earmarked for the Malaysia My Second Home (MM2H) programme. EOTP plans to team up with strategic agencies to facilitate the process for expatriates, says Fong.

All units come with basic built-ins and residents are encouraged to bring their own furniture to make their units more familiar and comfortable, he adds.

The group plans to keep about 20 apartments so

PICTURES BY SUHAIMI YUSUF/THE EDGE



The entire project will be launched at the same time — Fong

The aged-care facility will begin operations before the apartments and villas are handed over



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that it will have significant representation on the property's joint management body and as a means of garnering recurring income. EOTP is offering lease options of 5, 10 and 15 years and a flexible payment scheme for those who are unable to buy the units.

Should a resident move out or pass away, EOTP has first right of refusal to buy the unit back at market value, explains Fong.

The project also has a clubhouse that will house facilities such as beauty parlours and shops, he adds.

As the retirement village is designed to welcome people of all creeds, there will be a deed of mutual covenant that will serve as the "house rules". A public area will be designated for activities such as gatherings and prayers.

"We will interview and vet residents, so if you have a bad reputation, like you're a gangster, sorry, you cannot stay here," says EOTP chairman John Chin.

Separated by landscaping, the aged-care residence will have 72 suites of 400 sq ft each. Residents of the two-bed suites will be provided with assisted living and acute care. According to Fong, residents have the option of taking up the whole suite.

Meanwhile, facilities include four acres of reforested tropical rainforest with jogging tracks, a lake, a garden for gardening enthusiasts and an outdoor art studio. As the Aged Healthcare Act is not in force yet, the project is designed in compliance with the

Private Healthcare Facilities and Services Act, says PricewaterhouseCoopers Taxation Services Sdn Bhd senior executive director Khoo Chuan Keat, who is also EOTP's project consultant.

Although the project sounds similar to other proposed retirement villages, a key differentiator is the nature of its partnership with the operator — Melbourne-based Optimum Aged Care Services. The company and EOTP have set up a joint-venture company called Optimum-Eden HealthCare Sdn Bhd (OE) to operate the village. Ruth Welling, a founding director of Optimum Aged Care Services, is managing director of OE. Originally from Sarawak, she has been working in the Australian aged-care sector for decades. This is her first venture in Malaysia.

"If I was going to give up what I was doing in Australia for the last 30 years ... a solid career, to come back here where the exchange rate is RM3 to one Australian dollar, I had to make sure I was coming back to something sustainable," says Welling. "I had to come back to develop something that the rest of Malaysia can benchmark against, you know?"

"The more we talk to people, the more people get excited. For example, I was asked as a member of EOTP to chair an aged-care conference in Kuala Lumpur recently. We had people from Thailand, Indonesia, the Philippines, Sri Lanka and India, all congregating in Malaysia and wanting to find out

PICTURES BY EDEN-ON-THE-PARK



It's a **Malaysian prototype**, a solution for specific Malaysian needs
— Chin

vice and sustainability, it is central to the brand and the concept that we are trying to promote. Like any brand and concept, once you have it all properly structured and documented, you could go to different sites and build the centres ... in Kuala Lumpur, Ipoh and Penang. So it could be like McDonald's. That is our ambition. It's a Malaysian prototype, a solution for specific Malaysian needs, in terms of ownership and services required, affordability, hospitality and so forth," Chin explains.

Recently, Pemandu and the Ministry of Health (MOH) granted EOTP and its Econ Medical Hub in Cheras, which will comprise a 200-bed nursing home and a retirement village with integrated facilities, entry point project (EPP) status.

The endorsement, says Khoo, is the equivalent of a BrandLaureate. "The viability and sustainability of the project have been independently reviewed, scrutinised and evaluated by Pemandu. Of course, there are no guarantees in life, but at least the project has been independently validated by a responsible and competent government agency," he adds.

According to Pemandu's Chua, the agency is discussing the perks that EPP-status projects may enjoy with the Malaysian Investment and Development Authority. The perks include tax breaks, stamp duty exemptions, training grants, tax exemptions for imported medical equipment, and a facilitation fund for big projects.

Deep pockets and passion

It takes deep pockets and passion to develop retirement villages, says WOW Property Sdn Bhd managing director Joseph Chong.

Conceptually, the integrated model of retirement villages that combines active living with aged-care facilities is good because it enables residents to age in place comfortably, but Chong points to the tremendous upfront and maintenance costs this model demands. "If you want to have a model with a 'continuum of care', it's a big investment."

Meanwhile, Chua says the integrated model makes sense. "If there is no aged-care facility to supply services on site, what is the point? The residents feel heartened when there are such facilities on-site."

Chong also points out that there is a lack of qualified people in the industry. "More important is the software, which is a team of people that can handle [everything, from] assisted living to high-care living. You need a wide spectrum of staffing to cater for different needs and levels of fitness," he explains.

According to Chua, the government is looking at a scheme to "convert" unemployed nurses into caregivers. "It's better than being jobless and it's in a related field," he says on the perception that caregiving is "a step down" from nursing.

Chong also warns those looking to make a fast buck against going into retirement projects. "Don't expect to make money in three to five years, like a regular property project. How many people are willing to invest for the long term, like the old Sunrise Bhd and Sunway Bhd?" he asks. A more realistic timeframe to generate returns is about 10 years, he adds. Thus, incentives such as tax holidays are needed to enable developers to build more projects and create economies of scale.

It is crucial to prove to investors that the integrated model is able to give good returns and has scalability, Chong adds. Manpower is also an issue, and the operators must be passionate. "It is important to get people who do it to see the happy faces of retirees."

He also notes that current projects are "skirting regulations". "For instance, in Selangor, if you build on [develop] more than 10 acres, you need to provide low-cost housing and there is a bumiputera allocation. And, under the MM2H programme, you can only sell properties that are RM1 million and above. There is also a minimum allocation for car parks and so forth. So, until the Health Ministry, Housing and Local Government Ministry and the respective state agencies get together, such developers will be skirting the issues."

He also points out that developers contemplating a lifetime lease model like the one used in Australia need to reconsider their options. "For the buyer, how do you ensure that your land has not been charged by unscrupulous developers, and then one day, you are kicked out of your own home? So, you need a trustee to hold the land," he adds.

"At the end of the day, it is about ensuring peace of mind for the residents, in terms of legal, financial and aged care services. That is the biggest challenge." ■

Artist's impression of Eden-on-the-Park: It will comprise luxury apartments, 1-storey villas and an aged-care facility



There are only 14 exclusive 1-storey villas available

how we are doing here. So, it is also putting Malaysia on the forefront of aged care and that is why EOTP is very, very exciting.

"When people think of aged care, they think of horrible, smelly nursing homes. But what Victor [Fong] is doing is debunk all this and build a lifestyle. So, he has made ageing sexy," she says.

Khoo advised on the joint-venture structure so as to ensure that the operator remains committed to the project. "Sometimes, when the operators see that there isn't enough money in the project, they decide to leave. They don't have enough skin in the game. So, we do this to avoid ending up like a restaurant without a chef. It would be our worst nightmare."

It is noteworthy that the project does not operate on the deferred management fee (DMF) model used in Australia, where residents pay a lump sum that goes towards their care throughout their stay in the village. Instead, Malaysians are able to purchase units, which gives them protection under the Housing Developers Act and Strata Titles Act, says Khoo.

Welling adds that the DMF does not cater for new market realities. "DMF isn't even working in the West. Retirement villages under that model are struggling, especially now, when people are living longer. DMF is premised on the fact that you come in at 55 and only live for 12 years, but that is no longer the case. At least over there, DMF is governed by

law. I fear for the implementation of the model here because there are no laws, so what is there to stop unscrupulous people from running off with your money to buy racehorses and other things?" she says.

The entire project will be launched at about the same time, Fong says. The aged-care facility will come up first and is expected to open in the middle of next year. However, OE will get the ball rolling with a day-care facility, which opens in August, that deploys nurses and caregivers to homes. This will supplement the group's training facility, which will train caregivers. According to Fong, the group plans to give scholarships and soft loans to students on a selective basis.

Fong relates his own experience that underscored his appreciation for trained caregivers. "My mom fell and broke her thigh bone. The Indonesian maid dragged her from the bathroom to her bed and then put her in a chair the next morning, without knowing that she had a broken bone."

EOTP is currently in talks with landowners and property developers to build five more retirement villages in Sibu, Miri, Kuala Lumpur, Seberang Perai and Johor. It plans to run a chain of six retirement villages by 2020.

"The reason we are structuring it this way is that ... like our SS concept of security, safety, support, ser-



We [have formed a joint venture with the operator] to avoid ending up like a **restaurant without a chef**.
— Khoo