

Meeting the requirements of an ageing population - Developing and delivering a “Continuum of Care”



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Introduction



4 major factors facing the care industry:

1. **A rapidly ageing population that doesn't provide a good choice of quality accommodation for retirees**
2. Generally negative focus on care from the press despite significant improvements over last 20 years
3. A shortfall in funding is affecting the ability of some operators to provide even an adequate level of care
4. A dramatic increase in the number of people suffering from a dementia which is impacting on how we care for many of our elderly in care homes

Demographics and options for our elderly



Demographics

- 1) **UK population over 80 set to double from 3m to 6m in next 25 years**
- 2) UK population over 65 set to increase by 65% from 11m to 18m in next 25 years
- 3) Worldwide the number of over 60s will hit 2.4 billion by 2050

So what choices do the elderly have?

- Stay at home
- Downsize
- Extra care
- Care home
- Retirement village

Improving the choice



Over 65s are much more open to considering their options than they were 10 years ago.

Younger retirees and those in relatively good health can look to downsize but there is a woeful shortfall in good quality accommodation. McCarthy and Stone dominate the market but they don't offer much in the way of care that you couldn't access in your previous home.

The planning system in the UK is challenging and land is expensive. Building more homes will:

- **Give elderly more choice**
- **Free up larger family homes**
- **Release wealth tied up in property (over £1 trillion in the UK)**

Independent living



Pros

- Community
- Some have a warden/manager
- 24-hour emergency call button
- Often situated close to town centres

Cons

- Lack of communal facilities
- No on-site care
- Limited services

Assisted living or extra care



Pros

- Community
- Most have 24-hour staff
- Most will have access to a domiciliary care agency
- Restaurant
- Warden/manager on site 7 days a week

Cons

- Limited Services
- Lack of transport

Care home



Pros

- 24 hour round the clock care from trained staff
- Safety and security
- Company
- Activities
- Don't have to worry about bills

Cons

- Seen as last resort
- May be lack of interaction with other residents
- Loss of independence

Retirement village – what does it offer?



- Choice of accommodation
- Safe and sociable community
- Activities and events
- 24-hour on-site staff
- On-site care agency
- Some can meet all future care needs
- Facilities e.g. restaurants, hair salons, communal lounges, landscaped gardens... some even have spas!
- Transport services
- Hotel services

Retirement Village – comparison to other countries



- Retirement village market in both the UK and Ireland is nascent and far behind other countries such as New Zealand, Australia and the USA
- Just 1% of the UK population over the age of 60 live in a retirement community compared to 13% in NZ and Australia and 17% in the USA
- UK doesn't have cheap land or good weather but there is clearly a huge opportunity
- Many retirement villages offer limited care support (such as Audley and Renaissance) with the focus more on the property

A retirement village that could be the best solution?



- Combine independent living, assisted living and a care home on the same site with a wide range of communal facilities
- **The major benefit is that retirees don't need to move again. They can have care delivered to their apartment from an onsite domiciliary care team and if their care needs increase there is the opportunity to move into the care home which caters for both frail elderly and dementia.**
- Residents get to know the staff so any move is far less traumatic

Wider benefits of retirement village living



- Employment of up to 150 staff with recruitment locally
- Facilities such as the Spa and restaurant are open to outside users
- Use of facilities is available to local groups such as the WI, Rotary Club, Age Concern
- Involvement of retirement village residents in the local community, e.g. the church or Parish Council
- Opening of a shop in a rural community that hasn't had a shop for 30 years

Why aren't there more?



- Lack of awareness and current market is small in both the UK and Ireland. However, this is improving with more investment coming into the market in the last 2 years.
- Main barriers are land and capital
- Finding a site that can accommodate a retirement village and securing a planning consent
- **Development is expensive as there are both a large number of properties to build and extensive communal facilities**
- Raising finance is difficult especially for a retirement village that combines property and an operation

Pros and cons



- To develop and deliver this continuum of care is complex. You need to be a good developer and a good operator and understand how the two parts of the business interact.
- The concept is relatively easy to copy but the delivery is difficult.
- **Managing the sales risk is vital so off plan sales are key. With a construction cost of c£30m, you need to complete on 10-20 properties shortly after opening.**
- The care home benefits from support from managers in other parts of the village such as hospitality, maintenance, Spa and activities.

Financial returns



- The return can be analysed in 2 ways:
 - After selling all the properties you have an operational asset that costs you nothing but will make you £2-3m pa
 - Splitting the cost between development and the operation so that the development makes a profit of c30% while the operation makes an IRR of 20%
- Both land and construction prices have gone up significantly in the last year so there will be a period of unstable returns. Property prices have increased to mitigate this but fees have remained relatively flat.

Competition



- **Competition doesn't come from other retirement village developers as the market in both the UK and Ireland is still small**
- For independent properties, the competition comes from retirement developers locally such as McCarthy and Stone and Pegasus
- **The superior facilities and better access to care at a retirement village can mean that local retirement apartments act as a feeder**
- Local care homes will compete. Returns will be better if there is a shortfall in beds and an ageing stock locally.

Importance of design and architecture



- Purchasers look for modern high quality appliances and a contemporary look to an apartment
- Architecture is important as well as incorporating dual aspect views and ensuring each apartment is suitable for the occupier
- **However, the operation of the facility must not be dictated by the architecture. The external look is important but it shouldn't compromise on how the facility is run.**
- The key is to create a hub around the entrance and lobby area so there is a buzz on entering the village.

Retirement villages for all



- Capital is an issue and there is a tendency to target the upper quartile as it is less challenging to make an appropriate return
- Charitable foundations such as Joseph Rowntree already provide retirement village living for the less well off but more money is required from governments to provide accommodation for the lower end.
- **Although retirement villages are not the answer to all the issues facing the elderly population they are an important element to give people the choice.**

Conclusion



- Our retired population deserve a better choice of accommodation
- Improvement must come from all types of accommodation from retirement apartments to assisted living, care homes and retirement villages
- **Retirement villages offer a unique solution to cover the continuum of care on one site**
- There are greater benefits to the local community from retirement villages – use of facilities, interaction between residents and locals.
- **Opportunity to include retirement villages as part of a wider development including libraries, colleges and gyms.**