Insight Paper: Residential

RESEARCH

Senior housing in the private sector: What shape and form?

The proportion of senior citizens in Singaporeans are predicted to increase over the next 10 years. Is there a need and demand for private elderly-friendly options?

Executive Summary

The life expectancy of Singaporeans has risen over the years as medical science improves. Given the fall in birth rate over the last few decades and the ever-increasing senior population, Singapore's population will continue to age with time.

Despite the challenges, the aging population may offer opportunities for the private sector to come up with new real estate products that serve the different needs of the growing elderly population. In this report, we cover some opportunities that we foresee will come into fruition.

Key Facts

- **By 2030, 1 in 4 Singaporeans will be aged 65 years and older.**
- **Life expectancy at age 65 improved 1.9 years to 20.8 years in 2016.**
- **More public infrastructure catering to the elderly**
- **Increase in retiree household income, especially those who are more well-to-do**
- **Limited supply of private housing catering to the elderly in Singapore**

This report reviews the challenges and opportunities posed by Singapore's aging population.

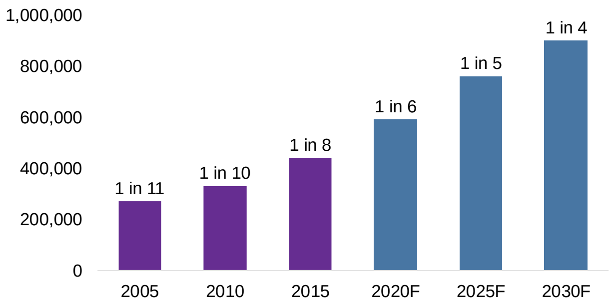
The aging population: a global phenomenon

Many countries and regions are facing an aging population, and this demographic shift has implications on economic growth and the preservation of the social, health and financial capital of individuals reaching their retirement age.

According to the World Population Prospects: the 2015 Revision, the number of older persons - those aged 60 years or over - is projected to increase by 56% from 901m in 2015 to 1.4bn in 2030, while the number of older persons in Asia is projected to grow by 66%. This phenomenon is due to the improved longevity and the aging of larger cohorts, including those born during the post-World War II baby boom.

The greying population is also a concern for Singapore. According to the Department of Statistics, there were 270,000 Singaporeans aged 65 and above in 2005. In 2015, the number rose to 440,000. Looking forward, about 1 in 8 Singaporeans were senior citizens in 2015, and it is projected that this will increase to 1 in 4 in 2030 (Figure 1). The aging process is faster than some of the OECD societies such as France, Germany, Sweden and United States.

Figure 1: Number of Singapore Citizens aged 65 and above



Source: Population.sg, Edmund Tie & Company

The aging population places pressure on medical facilities and nursing homes. It will also impact economic growth due to the shortage of labour. However, the aging population brings along its set of unique needs and thus offers opportunities for the private sector.

Challenge 1: Asset Rich, Cash Poor

An aging but affluent Singapore population offers opportunities for the private sector, especially if they can look at ways to monetise the equity locked in their housing asset. According to a study by David McCarthy, Olivia S. Mitchell and John Piggott 2001, an average worker in Singapore is likely to be asset rich and cash poor as long as housing values continue to rise in real terms.

Residents of public housing have a number of channels to monetize their housing. The Government offers the Lease Buyback Scheme to allow senior citizens to sell back part of the flat's lease to HDB, and thereafter use the proceeds to support themselves. The elderly can also downgrade to smaller flats or HDB studio apartments and benefit from the Silver Housing Bonus Scheme, under which the Government gives them a cash bonus of up to $20,000. Separately, the Government introduced more living options for the seniors, the 2-room Flexi Flats, if they seek to downsize and monetise their housing equity. The 2-room flat is cheaper as the oldest member can take a shorter lease term.

However, there are fewer options for private home owners to extract housing equity. The reverse mortgages offered by the private sector did not pan out. OCBC bank and NTUC Income began offering such mortgages in 2006 but they were discontinued due to lack of demand. It is likely that the strong bequest motive discourages senior home owners to pursue the reverse mortgage option.

In order for private home dwellers to unlock their homes' equity, they'll have to downsize or move into HDB dwellings. However, this may not be palatable to the middle to high income bracket, especially if they are used to the living space or want to age in place. Additionally, the developments will attract younger buyers if there are no age restrictions. A case in point is The Hillford, with a 60-year lease tenure.

Challenge 2: The increasing need of elderly friendly private homes and infrastructure

The increase in elderly population means that there is a need for more elderly friendly features in the physical and built environment. To prepare for the aging population, the government is working towards a successful "aging in place" lifestyle and accessibility is identified as one of the key enablers. The government has actively incorporated barrier-free access and Silver Zones to enhance road safety for the elderly. The government also subsidized enhancement works to install items in HDB flats, so as to improve mobility and comfort for elderly residents.

The Building Construction Authority (BCA) of Singapore also introduced a new Universal Design (UD) Guide in October 2007 that provides a more complete set of guidelines for adoption in all building designs. UD, is "design for all people", and seeks to create an environment addressing the needs of all age groups and people of different abilities.

To encourage the adoption of UD, BCA offers the UD Mark Scheme. Residential developments that were awarded UD Mark Awards included projects in the prime and non-prime areas in 2017 (Table 1).

Table 1 Developments that were awarded UD award in 2017

Development	Award
Cairnhill Nine	UD Mark Platinum award
Echelon	UD Mark Gold Plus award
J-Gateway	UD Mark Gold Plus award
Jewel @ Buangkok	UD Mark Gold Plus award
Lush Acres	UD Mark Gold Plus award
Sky Vue	UD Mark Gold Plus award
Waterbay	UD Mark Gold Plus award
UP@Robertson Quay	UD Mark Gold
Flo Residence	UD Mark Gold
Marine Blue	UD Mark Gold
RiverSails	UD Mark Gold

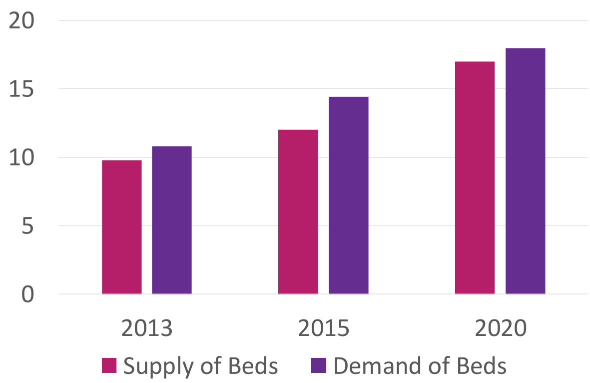
Source: BCA

While elderly friendly features will command higher demand over time, it may take more time for buyers to change their mindsets and view them as value-added features. There may be a stigma associated with senior housing and buyers may be deterred if the project emphasises elderly friendly features.

Challenge 3: Lack of nursing homes

One problem Singapore faces is the lack of nursing homes. By 2020, the expected total supply of beds will increase to 17,000 and the increase in beds will align with the development of broader services. However, demand will also increase in tandem, with the expected prevalence of dementia cases. Dementia patients accounted for 50-60% of nursing home residents and it is expected to grow, according to a study by Oliver Wyman for Lien Foundation and Khoo Chwee Neo Foundation.

Figure 2: Demand of nursing beds



Source: Singapore Ministry of Health

Given that most Singaporeans own their homes, either private or public, there are ways to meet senior needs by allowing some form of care sharing or elderly corner that offers medical facilities. However, such initiatives are often frustrated by Not In My Backyard (NIMBY) sentiments. Separately, more care and attention are needed for patients suffering from dementia. A solution is to offer townships offering dementia-focused living that is self-contained. A case-in-point is Netherlands' De Hogeweyk Dementia Village. Notwithstanding, the township may add to the social stigma regarding dementia.

Opportunities

Building active adult communities: The US case study

The aging population in United States incentivised developers to come up with active adult communities, targeted at people who have retired or are planning to retire soon. Homes in these communities are designed for people aged 55 or older. There are two types of active adult communities: age-restricted and age-targeted. Age-restricted communities are specifically aimed at persons aged 55 and older. Under rules set down by the U.S. Department of Housing and Urban Development in the Fair Housing Act, the housing must include at least one person who is age 55 or older in at least 80% of the occupied units. Anyone under the age of 19 is restricted from being a permanent resident. Age-targeted communities target adults over a certain age, but do not have any restrictions on who can live within the community.

Residents in these communities typically lead an independent, active lifestyle in a country club setting, with amenities including a clubhouse, a golf course, walking trails, hobby centres, computer labs and other recreational spaces. These communities are usually not equipped to provide increased care or health-related services. Outdoor maintenance is normally factored into the monthly homeowner's association or condominium fees.

The Villages

The Villages is the largest active adult community in United States. It is the fastest growing U.S. metropolitan area by percent population increase for the fourth year in a row in 2016, according to the U.S. Bureau of Census. Its population was slightly over 123,000 in 2016, an increase of 4.3% from 2015.

The community spans over 547 square miles and has close to 42 golf courses on its grounds. Homes in the community are available at a wide range of prices, ranging from USD120,000 to USD600,000. The estimated monthly cost of living is about $993 for a $250,000 home with homestead exemption.

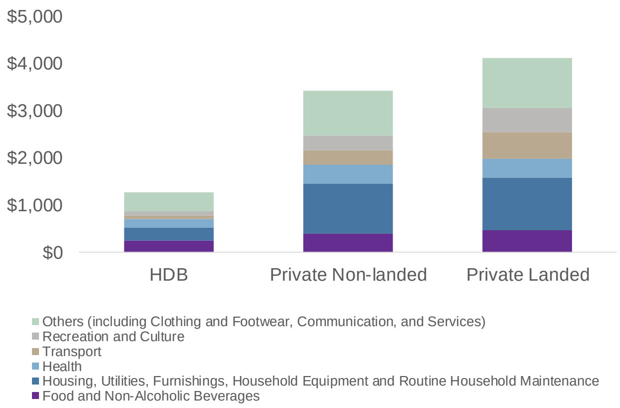
Recreational activities include an assortment of golf courses, recreation centres, and the Sharon L. Morse Performing Arts Centre, a popular spot for many artists.

Where to build and develop?

Most of the active adult communities are built on expansive land sites so that they can develop the required amenities and space to meet the needs of older residents. It may not be ideal to do it in Singapore, given the high land costs. The neighboring countries are likely to offer better options, if they can create a gated community that ensures safety and 24-hr surveillance. Top on the list includes Iskandar, where healthcare facilities are also being developed. Its proximity to Singapore is a plus. Penang is another attractive location, given its strong medical sector.

If Singapore were to build such active adult communities vertically, it would only be affordable to individuals who are in middle-upper income bracket. The buyers are likely to come from the retiring private home owners, who tend to have higher expenditure (Figure 3).

Figure 3: Average monthly household expenditure by type of housing in Retiree Households (2012/13)



Source: Singstat, Edmund Tie & Company

Retiree co-living arrangements for specific needs

Retiring individuals have to conduct their financial planning ahead so that they can maintain their quality of life when they retire. However, they may need to engage helpers, administrators and chauffeurs to help them with daily chores. Additionally, the proportion of one-person households that are above 65 is likely to rise. Such solo elderly households are more prevalent because of changing family structures, while others simply desire more personal space and independence.

One possible business opportunity is to have co-living spaces for the retiring singles. The concept of co-living evolved from dormitories, and it started when aspiring entrepreneurs and students stayed in the same mansion, sharing the facilities. Residents of these co-living spaces can tap into amenities such as free internet and maid service, while making new friends and creating new social experiences.

While most co-living spaces have thus far focused on millennials, they can serve as a viable option, especially for the elderly singles. It is more affordable, as they share the costs of accommodation and services. The support of cohabitants will also help improve and preserve the social and mental capital of the elderly single households.

A variant of such co-living arrangement is the Cohousing developments, which began in Denmark in 1960. There will be individual homes and also a common house with shared cooking, eating, laundry, leisure and meeting facilities.

Conclusion

Most senior citizens want to live independently and age-in-place rather than move into a nursing home, and this is also seen in other first-world countries. However, the eldercare facilities are sometimes associated with social stigma and the NIMBY bias remains deeply rooted.

While most Singaporeans own a home, there is insufficient supply of nursing homes to take care of the elderly who need to rehabilitate. Additionally, there is a lack of communities for active adults who just retired to maintain or improve their social capital.

While moving to our neighbouring countries in active adult communities may be an option in the future, most retirees will still prefer to stay in Singapore. With IoT and the shift towards a shared economy, we are likely to see more shared services in co-living arrangements to reduce the cost of living. Notwithstanding, there is a need for the elderly to liquidate their existing property assets to finance such living arrangements and live comfortably.

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