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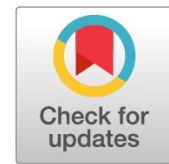
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## **An Ideal of Retirement Villages Business Model in Malaysia: Analysis of case studies**

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### **Abstract**

There are three types of retirement villages development business models: the outright sale model, the lease for life model and the rental model. This paper aims to investigate the influence elements of chosen business models adopted in Malaysia's retirement village development. This study uses a qualitative research method through interviews with the selected developer as case studies. The prominent contemplation for developing retirement villages are sustainability, practicality, profitability and land availability. Local developers have been mindful and creative in implementing their retirement village business models.

**Keywords:** Property Development; Retirement Village; Business Model; Case Study

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### **1.0 Introduction**

The retirement lifestyle is all the rage these days. Retirees have a variety of options for retirement housing, such as old folks' homes, nursing homes and more (Yassin et al., 2018; Eldridge, 2010). People are beginning to view the idea of moving into retirement villages as an acceptable lifestyle option. Lately, the concept of retirement villages which centres around elderly healthcare and lifestyle has become an attractive housing option (Ng et al., 2020). Retirement villages are more well received in developed countries like Australia and the United States of America. However, the concept is still considered to be new in Asian countries, where it is pretty common to have three different generations of people live together under one roof, which symbolises a prosperous golden age (Poh, 2021). As the elderly population keeps multiplying, it is essential to keep figuring out ways to help the older age group live their twilight years in relatively good health and comfort (Ng et al., 2020). Therefore, local developers dynamically start looking towards fully catering to the housing needs of the elderly because according to Jean (2018), Malaysia is still considered a blue ocean due to having low supply compared to other types of property.

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## 2.0 Literature Review

### 2.1 The Concept of Retirement Villages

The retirement village is described as a residential building intended for the occupation of retired people who have signed a contract agreement with an operator to move into the premises (Mansor, 2016; Counsel, 2014). In simpler terms, a retirement village is described as a housing community that provides specific services and 24-hour assistance for seniors. It accommodates various lifestyles and provides features that tend to specific needs (Mann, 2021). Retirement villages are also known as retirement communities and care villages. These are formed as part of a large group of retirement or sheltered housing schemes for seniors. Essentially anything from an estate to a full-blown village-sized retirement development of bungalows, flats or houses intended for occupation by older people often include a number of recreation facilities and sometimes a care home.

Retirement villages cater mainly for people who are able to live independently. Some retirement villages provide aged care facilities on the same or adjacent sites. If residents' health is reduced, they can move and stay in aged care facilities (Md. Yassin et al., 2018). Mann (2021) asserted that retirees are afforded resources that cannot be found anywhere else, such as 24-hour emergency assistance, private recreational clubs and events, private health and wellness centres, like-minded communities with exceptional accommodations and lifestyle solutions and activities for seniors. Aini et al. (2015) stated that communal housing such as retirement villages and retirement community homes is still a novel idea in Malaysia. However, as more retirement villages were developed in other countries, the idea of communal housing began to show its appeal and marketability.

Unfortunately, the term retirement home in Malaysia is highly misconstrued and misunderstood as old folks' homes. The absence of awareness and always likening the retirement villages to the local welfare or old folks' homes that we have here in Malaysia is one of the main reasons that such development is not widely well-received yet. The idea of retirement villages promoting independent living is often mixed-up with old folks' homes that take in the elders that require physical support on a day-to-day basis (Poh, 2021).

### 2.2 The Types of Business Models Implemented in Retirement Villages

In the United Kingdom (UK), there are now three distinct business models for investing in the retirement living sector; the developer model, whereby firms construct and manage developments independently, the operational model, which exposes firms to the sector through acquiring existing schemes and portfolios, and finally the rental model, which is still a small segment of the sector, but enables firms to lease their units. There are two models for developing retirement housing for sale. The first and most straightforward is essentially indistinguishable from the traditional housebuilder sale model, with a price premium to reflect the added cost of providing communal facilities such as a residents' lounge, café or gym. Alternatively, a developer might charge an 'event fee' when the resident sells their property, usually for a proportion of the sale value, to fund these shared amenity spaces (Bowles, 2019).

More recently, some developers have departed from these traditional models and begun letting retirement homes for private rent, each targeting very different price points. In the case of Goldman Sachs-funded, luxury London scheme Auriens, customers will avoid a stamp duty bill equivalent to over a year's rent by choosing not to buy. In the case of more mid-market Birchgrove, renting enables residents to unlock the equity held in their former homes. The nation's largest retirement housing developer, McCarthy & Stone, has also started offering homes to rent in its schemes. There is significant untapped potential in retirement homes for rent. While many older households own their homes, a rent-to-rent model could help them move into retirement housing while retaining ownership of their family home and avoiding stamp duty (Bowles, 2019).

In India, three main models are adopted. Firstly, in the sale model, the buyer purchases the property like any other residential unit. However, it calls for a large chunk of money to be blocked, rendering the buyer cash poor. Secondly, in the rent model, residents pay monthly rent and a small deposit for their stay. The rent is subject to revision. Seniors who do not have excess capital in hand could opt for this model as it has a lower entry cost. Residents can shift projects if services are not satisfactory. Thirdly, the lease model is an offshoot of the rent model but is more expensive. Residents pay a high upfront deposit and a small rent after that. Typically, the deposit is returned only on death or cancellation after deducting administrative charges (Deoras, 2015).

According to Brown (2016), there are three main finance models used by the country's estimated 2000 retirement villages: outright ownership, which gives the unit owner a title over the unit; the loan licence model, where the bulk of the ingoing contribution is set up as a loan to a village operator in return for a licence to occupy the unit; and the leasehold or sublease model. In each case, there is an ongoing contribution often similar to the cost of buying the unit. There is a departure fee based on when someone lives in the unit. Operators also charge weekly, fortnightly or monthly fees, called recurrent charges, that cover the village's day-to-day operating costs and may or may not include rates, water, electricity, maintenance of common areas and staffing costs.

Depending on the legal structure, residents may or may not share any capital gain in the unit's value when they leave the property. Whether a resident has to contribute towards refurbishing their unit before it is sold can depend on where they live and when they enter their village. Except for unit title models, a person's name is not generally on the title of the unit. They rely on the contract and the relevant legislation to give them the security of tenure if the village is sold or the operator goes bust.

In Malaysia, standard and uniform business models are not being incorporated into the development of retirement villages. There are several different business models adopted according to each development. Preferably, a retirement village should implement the

lease model as its business model for a length of time, like 30 years. Despite that, certain property developers have picked the outright sale model based on the inclination of Malaysians (Poh, 2021). For example, the Green Leaf project in Selangor adopts the outright sale model in which local retirees can buy the units made available by the developer outright. It is expensive, costing between RM980,000 and RM2.68 million per unit. The development implements a comprehensive method that integrates senior support and healthcare into residential projects (Lynn, 2015).

Jones Lang Wootton's executive director Malathi Thevendran asserted that the lease for life model is ideal for developing retirement villages to maintain the concept and control over the development for a long time. Similarly, Henry Butcher Malaysia's COO Tang Chee Meng agrees that a lease for life model would be more feasible for more folks, as the expenses involved in buying a unit on a lease for a specified period would be much lesser (Poh, 2021). For example, Green Acres in Perak, the theme for that development is not just unique, but its "tenancy agreement" is also out of the ordinary. These homes cannot be bought or sold; they can only be leased for life from the developer. The prices of the lifetime lease ranged between RM300,000 to RM452,000, where the only recurring fees that residents need to pay the maintenance fees and sinking funds (Lynn, 2015).

Alternatively, the establishment of retirement villages via the recently announced Public-Private Partnership (PPP) by the Ministry of Housing and Local Government (MHLG) is based on a new business model adopted by PR1MA to provide a well-facilitated, well-equipped and sophisticated infrastructure for senior citizens. The cost of staying in the retirement villages is affordable, ranging between RM400 and RM600 per month, depending on the facilities and care they need. PR1MA will adopt the monthly rental model instead of the outright sale model and lease for life model adopted in the Green Leaf and the Green Acres projects respectively.

### 3.0 Methodology

This paper adopted a qualitative research method to retrieve the relevant information and data regarding the types of business models being adopted in the development of retirement villages in Malaysia and why a particular type of business model is chosen and adopted in those developments. The primary data were retrieved through interviews to obtain in-depth views and feedback from the respondents via relevant questions based on why a particular type of business model is chosen and adopted in the development of retirement villages in Malaysia. Four respondents were chosen, consisting of local property developers who are quite familiar with the current situation regarding the development of retirement villages in Malaysia. Consequently, the data were analysed through a data analysis technique called textual analysis. According to Caulfield (2019), textual analysis is a broad term for various research methods used to describe, interpret and understand texts. All kinds of information can be gleaned from a text - from its literal meaning to the subtext, symbolism, assumptions, and values it reveals. The table below shows the list of respondents involved in this research.

Table 1. List of Respondents

No.	Code	Position	Organization	Years of Experience
1.	R1	Executive Director	Total Investment Sdn. Bhd.	30 years
2.	R2	Sales Manager	Total Investment Sdn. Bhd.	20 years
3.	R3	Managing Director	Eden-on-the-Park Sdn. Bhd.	36 years
4.	R4	Assistant Project Manager	Eden-on-the-Park Sdn. Bhd.	22 years

### 4.0 Findings

Based on the interview sessions that were conducted with each respondent that is involved in this research, the analysis of the choice of the business model adopted in developing retirement villages in Malaysia can be interpreted and broken down into a few layers in order to understand further and be aware of why the decision is made. Total Investment Sdn. Bhd. has adopted the lease for life model on Green Acres, Ipoh, whereas Eden-On-The-Park Sdn. Bhd. has adopted both the sale outright model and lease model on Eden-on-the-Park, Kuching.

#### 4.1 Green Acres, Ipoh

As a retirement village that is in a class of its own in Peninsular Malaysia, Green Acres is purpose-built for seniors. It is located in Meru, Ipoh - the 5-phase development by Total Investment Sdn. Bhd. was first unveiled in 2014. The 13-acre project carries an estimated gross development value of between RM70 million and RM80 million. The units are for lease. The villas in phase 1 come in four layout designs from 1-bedroom to 2-bedroom types with built-up areas ranging from 734 sq ft to 1,105 sq ft. Phase 1 consists of the clubhouse and 26 units of landed villas, out of which 22 are two-bedroom units (of 889 sq ft, 942 sq ft and 1105 sq ft) while the remaining are one-bedroom units (of 734 sq ft). For the upcoming phases, there would be an on-site aged care facility for the less mobile, two blocks of low-rise apartments of four storeys each and more landed units. Upon completion, the 13-acre site could accommodate up to 400 seniors.



Fig. 1. Green Acres, Ipoh (Green Acres Retirement Village, 2023)

#### 4.2 Eden-on-the-Park, Kuching

Eden-on-the-Park is Malaysia's first integrated active retired living (ARL) community aimed at retirees who wish to live in a resort environment. It is located in Kota Samarahan, Kuching. It offers long-term, short-term and rehabilitation residential care to seniors. This project has a total gross development value (GDV) of around RM120 million. This project is also a low-density development that comprises 104 apartment units, 14 villas and a detached block with 71 care suites on about 120,000 sq ft with 140 beds and support amenities. The apartment units in this project are valued at about RM800,000 to RM880,000 for a two-room unit with a built-up area of 1,200 sq ft or 1,500 sq ft. The villas, however, are valued at about RM1.2 million. The developer has moved on some units solely to referrals and invitations. It does not encourage purchases for investments. This is to guarantee that the units are used for their predetermined purpose.



Fig. 2. Eden-on-the-Park, Kuching (Eden On The Park, 2023)

## 5.0 Discussion

### 5.1 Sustainability

R1 and R2's organisation wants this concept introduced in Ipoh to have a long-term future. In order to have a long-term future, R2 explained that it is of the utmost importance to have control over the concept (project) and the lease for life is precisely that. Both respondents stated that if they were to implement the outright sale model, the units might later be rented, on-sold or transferred to people not of retirement age (e.g. young families, bachelors, students and others). This would alter the project's character, hence why they chose the lease model. According to R1, the Green Acres project is built on 13-acre land with only one master title. Each couple has to pay a deposit between RM310,00.00 - RM 466,000.00 to acquire a unit in Green Acres, depending on the type of unit chosen. Moreover, they need to fork out maintenance fees and sink funds on a month-to-month basis, which ranges between RM 380.00 - RM RM590.00. A 1% refurbishment cost will be deducted from the initial deposit paid annually for 15 years. Each couple will be given a 30-year lease. Upon expiry, the deposit after deducting the total refurbishment costs will be returned to the occupant (lessee), or the option of renewing for another 30 years will be given. Occupants that have signed up to be part of this retirement village will have their names added to the master title to give those occupants assurances regarding security. Occupants are not allowed to charge the title to the bank for any loans because it involves the main developer and other lessees (occupants). Occupants are not able to sell their respective units as well. By ruling out the sale or the units from changing ownerships, having a fixed period set into their lease and earning refurbishment costs each year from each and every unit occupied, Total Investment Sdn. Bhd. can preserve control over the development, maintain its physical features and sustain it for a long time, both regarding its units' availability and function.

### 5.2 Practicality

In contrast, R3 and R4 responded by stating that practicality was the main reason behind the decision to adopt both the sale outright and lease models for their development. R3 explained that this approach gives local retirees viable options based on their financial status. He stated that some local retirees with money might prefer to buy the units provided outright and those who do not have deep pockets could opt to lease the units. According to the respondents, the main goal for the development is to make it as practical as possible. In other words, to make it work. They believe that providing multiple options increases the chances for this development to work. The potential occupants will be able to purchase a unit between RM 800,000.00 to RM 1,200,000.00 depending on whether it is a unit of apartment or a villa. Should a resident move out or pass away, the developer has first right refusal to repurchase the unit at market value. Eden-On-The-Park is offering lease options of 5, 10 and 15 years and a flexible payment scheme for those who are unable to buy the units. Lessees are required to pay a monthly fee of about RM3,000.00 for an apartment unit and about RM4,000.00 for a villa. As for the Care Residence, it comes with a monthly fee of around RM4,500 for a full board, which includes consultation and medical treatment together with daily food intake, living arrangements and other daily services.

### 5.3 Profitability

During the interviews, R1, R2, R3 and R4 all collectively agreed that a developer would always look towards making profits when undertaking any new projects as it is an essential ingredient in property development. However, the profitability aspect of the project came in second place for the Green Acres project. However, they did factor in the profitability aspect and found that the retirement village industry is still an emerging trend in Malaysia and the market is yet to be fully tapped. The market has big potential in regard to returns whether it is seen as a short-term or long-term investment. R1 and R2 agreed that Total Investment Sdn. Bhd. decided to take financial risks and play the long game by prioritising sustainability in the hope that it set itself up for long-term success. R1 and R2 believe that with the lease for life model in place, they will eventually reach a phase where they will profit moderately and consistently over a long period. On the other hand, the decision makers behind the Eden-on-the-Park project especially R3, regarded both profitability and sustainability as their secondary factors, equally. By implementing a mixture of the outright sale model and lease model, R3 and his team stated that they had achieved the right balance whereby they will be able to make quick profits with the outright sale model in place and recover a portion of their initial investment quickly and at the same time, sustain the development for an extended period with the lease model.

### 5.4 Land Availability

Apart from that, R1 stated that land availability is also a factor that made it into the minds of people at Total Investment Sdn. Bhd. during the initial stage of deciding which business model to go for. R1 explained that strategic lands or lands in good locations are becoming very scarce. According to R1, Total Investment Sdn. Bhd. will always remain interested in expanding their retirement village business but fears that they would not come across a good land that is suitable in terms of its centrality, surrounding neighbourhoods and amenities, and so on for the development. So, they decided to fully optimise the land they have built the Green Acres project on and try to sustain it for a long time by implementing the lease for life model.

Based on the interviewees' reviews and opinions, the results of the discussions can be divided into four elements that influenced the chosen business model to be adopted in developing the retirement villages. Table 2 summarises the discussions about the elements' influence.

Table 2. Summary of the Discussion on the Influenced Elements of Chosen Business Models in Developing Retirement Villages

Elements	Sale Outright Model	Lease of Life Model
Sustainability		√
Practicality	√	√
Profitability	√	√
Land Availability		√

## 6.0 Conclusion & Recommendations

This study only focused on two different business models adopted in developing retirement villages in Malaysia. Unfortunately, this study could not focus on the rental model due to the fact that it is still new and only limited information is available out there right now. However, once PRIMA's retirement village projects take off in 2023, it would be safe to assume that more information will come to light and more data will be accessible because PRIMA will be incorporating the rental model into their retirement village projects. As one of the emerging and growing economies in its region, Malaysia is still considered to be behind in terms of housing provision for the older age group compared to other countries such as the United Kingdom, Australia, Singapore and others. Apart from that, the lack of attention and emphasis has also indirectly influenced respective organisations to get creative and practical with the types of business models being adopted for their respective retirement villages. All of these elements have basically formed a blueprint or a decision regarding choosing a particular business model suitable to adopt for their respective retirement villages. Hence, housing and healthcare sectors should develop more retirement housing, and the government should provide guidelines for retirement housing development to achieve well-being nation for older people.

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## Paper Contribution to Related Field of Study

This new knowledge on retirement villages' business model provides possibilities for more comprehensive study relating to retirement villages development.

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