Retirement Housing Initiatives
by
The Hong Kong Housing Society

CPD Seminar
Hong Kong Institute of Surveyors

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HONG KONG HOUSING SOCIETY
Retirement Housing Initiatives by The Hong Kong Housing Society

Objectives of the Presentation:

- Brief introduction to the core business of HKHS
- Elderly housing provided by HKHS before 2000
- New Elderly Housing Model of HKHS embodying the Ageing in Place (AIP) concept
- New Elderly Housing Initiatives of HKHS since 2000
- Principles of Retirement Housing Valuation
- Challenges Ahead
Founded in 1948

A non-governmental organization established under Hong Kong Housing Society Ordinance, being financially independent with governance based on two-tier committee system (Supervisory Board and Executive Committee)
HKHS VISION AND MISSION

Mission
As a non-governmental organization with a social conscience, we aim to serve the needs of the Hong Kong community in housing and related services

Vision
To be a world-class housing solution provider and innovator with leadership in quality, value for money and management
Housing Schemes implemented by Housing Society for serving the community Since its Formation in 1948
Public Rental Housing – 20 estates, 33,149 units

Lai Tak Tsuen (1975), Tai Hang
Flat-For-Sale Scheme – 10 estates, 10,360 units (Subsidized Housing)

Kingston Terrace (2002), Tuen Mun
Urban Improvement Scheme – 30 projects, 5,620 units
(Urban Renewal Project Sale at Full Market Value)

Jubilant Place (1998), Tokwawan
Sandwich Class Housing Scheme – 10 estates, 8,920 units (Subsided Housing for Sale)

Highland Park (1999), Kwai Chung
Urban Renewal - 6 Projects, 1531 units
(Sale of Flats at Full Market Value)

Heya Green (Tentative 2013), Shum Shui Po
(For reference only)
Elderly Housing

Provision of 919 Elderly Flats for Low Income Group in 9 Public Rental Estates since early 70’s to Mid 90’s
Elderly Flats

Living Room
Elderly Flats with Facilities

Covered Activity Area

Landscaping Area
Elderly Flats with Facilities

Common Room

Activity Room

Gymnasium
Elderly Activities

Computer Class

Health Talk

Fitness Class

Visit
New Elderly Housing Initiatives Since 2000
Demographics of Hong Kong Seniors

Source: Projected Population, 2010-2039, Census and Statistics Department
Demographics of Tenants of HKHS Public Rental Housing Estates (PRHE) as at January 2012

Evolution of Naturally Occurring Retirement Communities (NORC) in HKHS PRHE

Projected Senior Population in HKHS 20 PRHEs: 33% in 2012; 40% in 5 years; 50% in 10 years
Senior Housing Solution Landscape Before 2000

<table>
<thead>
<tr>
<th>Subsidized (Basic Scheme)</th>
<th>Non-subsidized (Quality Choice)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ageing in Place Solutions</strong></td>
<td><strong>The Market Gap</strong></td>
</tr>
<tr>
<td>Housing for Senior Citizens &amp; Self-contained small flats</td>
<td></td>
</tr>
<tr>
<td><strong>Institutional Care Services</strong></td>
<td></td>
</tr>
<tr>
<td>Subsidized Residential Care Homes for the Elderly</td>
<td>Non-subsidized Residential Care Homes for the Elderly</td>
</tr>
</tbody>
</table>

Source: Social Welfare Department, Hong Kong Housing Authority, HKHS
Joyous Living, Senior Citizen Residence Scheme Integrated Redevelopment Model & Ageing In Place Model to Fill the Market Gap After 2000

Subsidized (Basic Scheme)

- Housing for Senior Citizens & Self-contained small flats
- Senior Citizen Residence Scheme
- AIP for Existing PRHE

Non-subsidized (Quality Choice)

- Subsidized Residential Care Homes for the Elderly
- Non-subsidized Residential Care Homes for the Elderly

Source: Social Welfare Department, Hong Kong Housing Authority, HKHS

(Hong Kong Housing Society)
New Elderly Housing Model Incorporates the Ageing In Place Concept

Ageing in Place

Ageing
Including physical and psychosocial changes, etc.

Promote Healthy Ageing

Housing
Including internal, and external environment and facilities.

Promote Adaptive Housing

Promote Safety Living

Role and Habit
Including change of roles and the ways to do activities of daily living and etc.
Ageing In Place Components

► Maintain access to family, friends, hobbies, community activities, entertainment, shop & personal services

► Accommodation suitably designed to meet a person’s changing needs

► Ability to make choices and make independent decision

► Support through assisting with daily living i.e. cleaning, feeding, bathing, toileting, medical assistance etc.

► Improve mobility through mobility aids and education
Ageing In Place Components

► Stay well through structural physical exercises and activities

► Support in terms of the mind to address issues like depressing, anxiety, dementia management etc.

► Access to spiritual guidance

► Dignity through the way an individual is treated in society daily life activities

► Education on health and wellness by providing structural learning
New Elderly Housing Model

Integration of all key Ageing In Place components in the form of accommodation, recreational, medical and health care services under one roof
New Elderly Housing Model Component - Lifestyle

Independent, active and worry-free lifestyle with choice and affordable pricing in a vibrant community which enable happy, healthy, active and graceful ageing.
Healthy Ageing
To provide customer oriented health care and related medical services for residents to live a healthy and independent life, to stay active and be sharp

Continuum of Care
To ensure health needs at different stage of ageing will be taken care of

To maintain, prevent, detect and cure early, and care always
New Elderly Housing Model Component - Skilled Care

- Formal care delivered with professional and occupational training
- Creative use of interdisciplinary collaboration
- Effective management of available resources and opportunities
- Quality care to seniors in varied health conditions
The Holistic Care Model

Needs
- Life-meaning
- Peace
- Transformation
- Sense of belonging
- Social recognition
- Social participation
- Safety
- Esteem
- Love
- Health maintenance and treatment

Services
- Religious gathering
- Life exploration activities
- Bereavement
- End of life care
- Social activities
- Volunteering
- Friendship groups
- Learning, Outings, Celebrations
- Counseling
- Family interaction
- Inter generational activities
- Medical care
- Nursing care, Rehabilitation
- Personal care

- Spiritual
- Social
- Psychological
- Physiological
Components of Skilled Care

- Medical Auxiliary Care
- Social Care
- Spiritual Care
- Home Care Support
- Personal Care
- Nursing Care
- Dementia Care

Skilled Care Services
AIP Theory Into Practice

Senior Citizen Residence Scheme (SEN)
2 Pilot SEN Projects by HS

- **Cheerful Court (2004)** - 333 units
- **Jolly Place (2003)** - 243 units

*Winner of Quality Building Award 2004*
Senior Citizen Residence Scheme (SEN)

❖ Rationale

- Target customers being middle income (asset) elderly
- Purposely-designed self contained units for independent living
- Comprehensive one-stop care and medical supporting services
- Disposal by way of long lease (for life) on a balanced consideration of affordability, security of tenure and control of elderly residents to avoid abuse

❖ Ultimate Objective

- “Healthy Ageing” and “Ageing in Place”
Senior Citizen Residence Scheme (SEN)

- Land Grant – Nil Land Premium
- Non – alienation Restriction – For Lease only
- Eligibility of Tenants
  - Aged 60 or above (Spouse age ≥ 50)
  - Asset limits (depending on age)
    - Singleton : HK$1.2M - HK$4M
    - Doubleton : HK$1.8M - HK$6M or
    - Guaranteed by third party

❖ Disposal Model
  - Long Lease (for life)
  - Entry Contribution
    - (Lump sum rental payment subject to Govt’s approval)
## Entry Contribution Price Range
(Subject to Periodic Review)

### Jolly Place

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Studio (35.5 – 35.9 m² GFA)</th>
<th>1 Bedroom Flat (51.5 – 53.2 m² GFA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 – 64</td>
<td>$364,800 - $410,800</td>
<td>$535,800 - $650,800</td>
</tr>
<tr>
<td>65 – 69</td>
<td>$327,800 - $369,800</td>
<td>$482,800 - $585,800</td>
</tr>
<tr>
<td>70 – 74</td>
<td>$309,800 - $348,800</td>
<td>$455,800 - $551,800</td>
</tr>
<tr>
<td>≥ 75</td>
<td>$292,800 - $327,800</td>
<td>$430,800 - $519,800</td>
</tr>
</tbody>
</table>

### Cheerful Court

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Studio (33.3 – 34.6 m² GFA)</th>
<th>1 Bedroom Flat (48.2 – 52.0 m² GFA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 – 64</td>
<td>$363,800 - $462,800</td>
<td>$548,800 - $710,800</td>
</tr>
<tr>
<td>65 – 69</td>
<td>$327,800 - $416,800</td>
<td>$493,800 - $639,800</td>
</tr>
<tr>
<td>70 – 74</td>
<td>$308,800 - $393,800</td>
<td>$466,800 - $604,800</td>
</tr>
<tr>
<td>≥ 75</td>
<td>$290,800 - $369,800</td>
<td>$439,800 - $569,800</td>
</tr>
</tbody>
</table>

($ in Hong Kong Dollars)
Basic Package Care Fee

- User-pays principle
  Management fees (exclusive of rates)
  - HK$840 – HK$1,260 per month

- Mandatory Care / Medical Charges
  - HK$300 per head
  - Services included
    - Monthly body check
    - 24 hour emergency call
    - Monthly household repair
      (minor repair excl. material costs)
    - Annual Health Plan
    - Health talks, counseling and referral

(Extra charges for additional medical services)
Club facilities

- Games Rooms
- Multi-purpose Hall
- Hobby Rooms
- Multi-purpose Rooms
- Library
- Gymnasium
- Swimming Pool
- Canteen
- Fitness Room
- Grooming

(All subject to charges, except Library)
Care Facilities

Residential Care Home for the Elderly (RCHE)  Polyclinic
## RCHE Fee Schedule

<table>
<thead>
<tr>
<th>Persons</th>
<th>Cheerful Court (4 nursing care levels)</th>
<th>Jolly Place (3 nursing care levels)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Person</td>
<td>HK$18,300 – HK$32,000</td>
<td>Nil</td>
</tr>
<tr>
<td>2 Persons</td>
<td>HK$14,000 – HK$29,500</td>
<td>HK$16,500 – HK$19,800</td>
</tr>
<tr>
<td>3 Persons</td>
<td>Nil</td>
<td>HK$15,000 – HK$18,300</td>
</tr>
<tr>
<td>4 Persons</td>
<td>HK$11,800 – HK$24,500</td>
<td>Nil</td>
</tr>
<tr>
<td>5 Persons</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>6 Persons</td>
<td>HK$10,800 – HK$22,800</td>
<td>Nil</td>
</tr>
</tbody>
</table>

(For same class of rooms, fees vary from different nursing care levels)
Studio Flat
(33.3 – 35.9 m² GFA)
1-Bedroom Flat

(48.2 – 53.2 m² GFA)
Design
Home feel – Non-Institutional
Design

Universal Design – tailor-made for elderly
Design
Special Design / Fittings — tailor-made for elderly
QUALITY RETIREMENT LIVING

A One-stop, Worry-free Quality Retirement Living Platform
樂 • 摲趣同享
Enjoying with Friends

Social Interaction • Live, Learn & Play
康 • Health is Happiness

Total Wellness Maintenance – Physical, Mind & Brain Medication & Nutrition Mgt • Prevention & Early Detection • Rehab
盈自主自足

Financial Independence

Improve Liquidity • Financial Security
Better Family Relationship

Privacy • Intimacy • Mutual Respect
活．貼心居寓
Worry-Free Living

Housekeeping & Handyman • Universal Design • Skilled Care • Senior-Friendly Features • Respite Option
Tanner Hill – Cosmopolitan Lifestyle
Tanner Hill – Cosmopolitan Lifestyle

Site Location

19 July 2012 • HKIS - CPD Seminar
## Tanner Hill – Scope of Development

<table>
<thead>
<tr>
<th>Accommodations</th>
<th>Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Elderly Accommodation</td>
<td>About 588 units (42-123 m²)</td>
</tr>
<tr>
<td>(b) Elderly Supporting Facilities:-</td>
<td></td>
</tr>
<tr>
<td>Residential Care Home for Elderly (RCHE) (110 beds)</td>
<td>5,900 m²</td>
</tr>
<tr>
<td>Day Care Centre (120 places)</td>
<td>1,300 m²</td>
</tr>
<tr>
<td>Wellness Centre / Health Centre</td>
<td>670 m²</td>
</tr>
<tr>
<td>Club House (with recreational and leisure facilities)</td>
<td>3,950 m²</td>
</tr>
<tr>
<td>(c) Retail and Other Facilities</td>
<td>230 m²</td>
</tr>
</tbody>
</table>
Tanner Hill

Occupancy Date: early 2015

588 Units
42 - 123 m²

Residential Units

RCHE, Day Care, Rehab Centre
Clubhouse, Wellness Centre, Members’ Hub

588 Units
42 - 123 m²

Occupancy Date: early 2015
Tanner Hill
Wetland Park Road – Resort Lifestyle
Wetland Park Road – Resort Lifestyle

Site Location

Hong Kong Wetland Park
### Wetland Park Road – Scope of Development

<table>
<thead>
<tr>
<th>Accommodations</th>
<th>Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Elderly Accommodation</td>
<td>71,980m²</td>
</tr>
<tr>
<td></td>
<td>About 950 units</td>
</tr>
<tr>
<td></td>
<td>(44-128 m²)</td>
</tr>
<tr>
<td>(b) Wellness Centre :-</td>
<td>8,900 m²</td>
</tr>
<tr>
<td></td>
<td>Residential Care Home for Elderly (RCHE) (120 beds)</td>
</tr>
<tr>
<td></td>
<td>Day Care Centre (40 places)</td>
</tr>
<tr>
<td></td>
<td>Rehabilitation Centre</td>
</tr>
<tr>
<td></td>
<td>Medical Centre</td>
</tr>
<tr>
<td>(c) Hotel / Guesthouse</td>
<td>10,000 m²</td>
</tr>
<tr>
<td>(d) Community Facilities</td>
<td>3,220 m²</td>
</tr>
<tr>
<td>(e) Commercial / Retail</td>
<td>2,500 m²</td>
</tr>
</tbody>
</table>
Wetland Park Road

around 950 Units
44 - 128 m²
Occupancy Date: 2018
Wetland Park Road

Residential Units

RCHE, Day Care Centre, Rehab Centre, Wellness Centre

Hotel, Member & Residents’ Clubhouse
‘LIFE IS WHAT WE MAKE IT.’
BY GRANDMA MOSES
JOYOUS LIVING

Mood Video
Integrated Redevelopment Model

The Future Ageless Community
Ming Wah Dai Ha Public Rental Housing Estate - Existing Site Condition
Integrated Redevelopment Model (IRM)

- Ming Wah Dai Ha
  Public Rental Housing Estate Redevelopment as Pilot

- 5 Components
  - Upgraded rental units
  - Redeveloped rental units
  - Quality elderly housing
  - Elderly services hub, including Residential Care Home for the Elderly (RCHE), Day Care Centre etc.
  - Commercial facilities
# Ming Wah Dai Ha IRM Key Scope of Development

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Site Area</td>
<td>3.53 ha.</td>
</tr>
<tr>
<td>Total GFA</td>
<td>192,000m²</td>
</tr>
<tr>
<td>Total Domestic GFA</td>
<td>186,400m²</td>
</tr>
<tr>
<td>Total No. of Domestic Units</td>
<td></td>
</tr>
<tr>
<td>Rental Units</td>
<td>3,170</td>
</tr>
<tr>
<td>Elderly Unit</td>
<td>857</td>
</tr>
<tr>
<td>GIC Facilities</td>
<td></td>
</tr>
<tr>
<td>RCHE</td>
<td>(150 beds)</td>
</tr>
<tr>
<td>Day Care Centre</td>
<td>(80 places)</td>
</tr>
<tr>
<td>Clinic, Therapy Counseling for Elderly</td>
<td>500m²</td>
</tr>
<tr>
<td>Neighborhood Elderly Centre</td>
<td>250m²</td>
</tr>
<tr>
<td>Elderly Club</td>
<td>400m²</td>
</tr>
<tr>
<td>Estimated Completion Date</td>
<td>Phase I: 2019</td>
</tr>
</tbody>
</table>
Ming Wah Dai Ha - Layout Plan

Draft layout plan for indication only, Master Layout Plan to be approved by the Town Planning Board
Ming Wah Dai Ha Integrated Redevelopment Model
Ming Wah Dai Ha Integrated Redevelopment Model
Ageing In Place Model for Existing HS Public Rental Housing Estates
Community Based Participatory Approach
Ageing In Place Model

Housing Safety
Health Care
Social Care

Housing Safety
AIP
Health Care
Social Care
AIP Framework in Public Rental Housing Estates (PRHE)

**HOUSING SUPPORT**
- Building Renovation
- Environmental Enhancement
- Home Safety Assessment and Education
- Home Modification
- Elderly Flats
- Relocation of Units

**SOCIAL CARE SUPPORT**
- Elderly Caring Program
- HS Community
- Case Management by Service Coordinator
- Elderly Lounge
- Social Centre / NEC / DECC

**HEALTH CARE SUPPORT**
- Day Care Centre
- Home Care Services
- Medical & Dental Clinic
- Rehabilitation Center
- Community Nurse Clinic

HKHS

Self-finance & operate in collaboration with NGO

Self-finance & operate, supported by volunteers & in collaboration with NGO

Self-finance & operate (RCHE/DCC) & in collaboration with NGO
AIP Component - Housing Support

Building Renovation • Environmental Enhancement • Home Modification

Addition of lift at Kwun Tong Garden Estate

Before

After
AIP Component - Housing Support

Building Renovation • Environmental Enhancement • Home Modification

Installation of Fitness Equipments at Lai Tak Tsuen

Before

After
AIP Component - Housing Support

Building Renovation • Environmental Enhancement • Home Modification

Toilet improvement including conversion of bathtub to shower tray with handrails at Kwun Tong Garden Estate

Before

After
AIP Component - Housing Support

Home Safety Assessment and Education through HKHS Elderly Resources Centre

- Cognitive Assessment
- High-Low Cabinet
- Age-friendly Bathroom
- Health Check
AIP Component - Housing Support

iHome Project on Safe Living in collaboration with Hong Kong Applied Science and Technology Research Institute Co. Ltd, Hong Kong Polytechnic University & Funded by Innovative and Technology Commission, Government of HKSAR
AIP Component – Social Care Support

- Neighborhood Active Ageing Project (seed money funded by Labor & Welfare Bureau and Elderly Commission)
  - line up NGO, commercial sectors & resident committee to form a well-knitted support network to promote active ageing through a neighborhood platform
  - identify hidden or depressed seniors, provide counseling services and emotional support
  - Train up volunteers to arrange continuous active ageing activities and maintain the neighborhood caring ambience within the PRHE
AIP Component – Social Care Support

• Housing Society Community & Elderly Lounge
  - build up social network for the seniors within the PRHE
  - provide counseling services and support to depressed residents
  - arrange activities for the seniors in collaboration with NGOs and volunteers
  - Provide ‘Care for the Silver Hair’ training for HKHS officers and frontline property management manual staff
    • to learn skills in managing conflict and communicating with the seniors,
    • to understand common geriatric disorders, detect early signs and symptoms and handling skill
    • to understand the normal ageing process and adjustment in later life
AIP Component – Social Care Support

Active Ageing Activities Organized by HS Community

Mid-Autumn Festival Gathering

Birthday Gathering
AIP Component – Social Care Support

Elderly Lounge

Cho Yiu Chuen

Ka Wai Chuen

Clague Garden Estate
AIP Component - Health Care Support

- Self finance & operate RCHE & Day Care Centre (under planning)

- In collaboration with NGO to set up RCHE / Day Care Centre / Rehabilitation Centre in PRHE
### Market Positioning, Pricing and Operation Model

<table>
<thead>
<tr>
<th>New Housing Initiatives</th>
<th>Joyous Living (JL)</th>
<th>Senior Citizen Residences Scheme (SEN)</th>
<th>Integrated Redevelopment Model (IRM)</th>
<th>HKHS AIP Model for Selected PRHE as Pilot</th>
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<tr>
<td><strong>Market Segment</strong></td>
<td>Financially independent without any Govt Subsidy</td>
<td>Middle Income</td>
<td>Low Income / Low-Income with Better Affordability</td>
<td></td>
</tr>
<tr>
<td><strong>Elderly Accommodation Disposal Model</strong></td>
<td>Lease-for-Life / Short Term Lease at Full Market Rental Value</td>
<td>Lease-for-Life at Subsidized Rent</td>
<td>Let at Subsidized Rent</td>
<td></td>
</tr>
<tr>
<td><strong>Operation Model</strong></td>
<td>Integrated Lifestyle, Skilled Care &amp; Hospitality Services on User-Pays Principle</td>
<td>Comprehensive Home Care Services on User-Pays Principle</td>
<td>Elderly Services Hub with Residential Care Home for the Elderly / Day Care Centre Facilities Operated on Subvented Basis</td>
<td>Cross-sectoral collaboration in the provision of Housing, Neighborhood, Social &amp; Healthcare Supports to Tenants</td>
</tr>
<tr>
<td><strong>Operator</strong></td>
<td>HS and/or external partner</td>
<td>HS and/or external partner</td>
<td>HS and in collaboration with NGOs</td>
<td>HS and in collaboration with the Government, NGOs, Volunteers and Tenants</td>
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## Market Positioning, Pricing and Operation Model

<table>
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<th>Housing Scheme</th>
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<td><strong>Land Grant Restriction</strong></td>
<td></td>
<td></td>
<td></td>
<td>For Lease Only</td>
</tr>
<tr>
<td><strong>Pricing of Elderly Accommodation</strong></td>
<td>• Lease-for-Life Entry Contribution (lump sum payment) at full market value</td>
<td>Entry Contribution at subsidized rent</td>
<td>Subsidized rent with reference to public rental housing rental level</td>
<td></td>
</tr>
<tr>
<td><strong>Lifestyle Skilled Care Services &amp; Charges</strong></td>
<td>Variety and level of services and charges commensurate with the class of the elderly housing and target groups of customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>Handover the flat to Landlord when tenant passes away / term of lease expires</td>
<td>Handover the flat to Landlord when tenant passes away</td>
<td>Handover the flat to landlord when the term of lease expires</td>
<td></td>
</tr>
</tbody>
</table>
| **Funding of Project and Services** | Self-financing | Self-financing |• Shared Responsibility  
• Partially self-financing  
• Institutional / Community Accommodation let to NGO at Welfare Rent (subsidized)  
• NGO responsible for the funding of the operation |
| **Revenue** | User-pays | User -pays |• Shared Responsibility  
• Some Services are free of charge or at subsidized rate  
• Some Services are co-payment via the Government’s Elderly Health Care Voucher Pilot Scheme |
Principles of Retirement Housing Valuation

Case Study: Joyous Living Tanner Hill Project (Inland Lot No. 8978) Land Grant Conditions

Restriction on Alienation

— Not to sell, assign, mortgage or charge the lot or any part thereof without the consent in writing of the Director
— Not to sell, assign, charge, mortgage, demise, underlet, part with the possession of or otherwise dispose of the lot or any part thereof

User

— Flats in the building erected on the lot to be occupied by elderly person aged 60 or above. Spouses of the tenants aged 50 or above may be permitted to occupy the flats

Underlet of Flats

— Terms of lease not exceeding 10 years in the aggregate including any right of renewal or the residual term of years granted less the last 7 days
Key Valuation Considerations

Key Valuation Considerations from End-user Perspective

- Stringent restriction of any occupiers other than the named tenant aged over 60 and spouse aged over 50
- No capital appreciation
- No collateral for mortgage loan
- No inheritance by heirs

Valuation Components Affected

- GDV discount (lower than normal residential flats)
Key Valuation Considerations

Key Valuation Considerations from Developer Perspective

- Restriction to lease only (not for sale)
- Incapable of capital growth
- Restricted on capital realization
- Limited to periodic income
- Difficult marketing of lease-for-life arrangement on non-concessionary basis with uncertain life expectancy
- Narrowly restricted clientele due to age eligibility
- Uncertain prospect for recovery of capital investment
- Heavy financial burden to operate GICs

Valuation Components Affected

- Discount for GDV
- Higher developer’s profit
Key Valuation Considerations

Key Valuation Considerations from Money-lender Perspective

- Refusal of project-specific loan without additional security from other resources of developer
- Project and land not available as collateral for loan
- Payback of project too long and too risky
- Uncertain income in view of immature market

Valuation Components Affected

- Higher finance rate
## Principles of Retirement Housing Valuation

<table>
<thead>
<tr>
<th>Valuation Approach</th>
<th>Factors</th>
<th>Challenges Encountered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Comparison</td>
<td>Direct Comparable</td>
<td>Direct comparable not available</td>
</tr>
<tr>
<td>Income</td>
<td>GDV – Rental Value of Elderly Unit</td>
<td>Apply discount or no discount on rental value of normal residential unit</td>
</tr>
<tr>
<td></td>
<td>Rate of Return or Yield</td>
<td>Adopt normal residential yield or higher yield</td>
</tr>
<tr>
<td></td>
<td>Internal &amp; external repairs; Major improvement works</td>
<td>Projection of costs &amp; extent of repairs throughout tenure of the lease</td>
</tr>
</tbody>
</table>
# Principles of Retirement Housing Valuation

<table>
<thead>
<tr>
<th>Valuation Approach</th>
<th>Factors</th>
<th>Challenges Encountered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual</td>
<td>GDV – Selling Price</td>
<td>Apply discount or no discount on selling price of normal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>residential unit</td>
</tr>
<tr>
<td></td>
<td>Developer’s Profit</td>
<td>Normal or higher developer’s profit</td>
</tr>
</tbody>
</table>
Principles of Retirement Housing Valuation

Assessment of Entry Contribution
(Lump Sum Lease Price for the Life Lease)

- Present Value of a series of monthly rental income
- Factors to be considered
  - Age of tenants at the time of entry
  - Life expectancy (mortality rate)
  - Expected turnover of the elderly units within the land lease/expected building life period
  - Expected age mix of tenants
  - Termination refund
  - Open market rental level at the time of first intake and expected rental growth rate
  - Inflation rate
  - Interest rate
  - Future internal & external repairs, expected major improvement works expenses

Mortality Rate
Property Cycle
1. What is the additional rental or capital value attributable to the healthcare and lifestyle services, if any?

2. If yes, by how much and how to quantify?
Challenges Ahead

- **Disposal Model**
  - For lease only with no property title
  - Lump sum lease price for life lease

- **Managing pricing and other inherent risks**
  - Property risk
  - Mortality risk
  - Medical / healthcare risk

- **Sustainability Issues: buildings and facilities are ageing too**
  - need to keep buildings and facilities new to maintain the competitiveness, marketability and sustainability
  - need to revitalize or modernize a variety of facilities to meet the changing habits and needs of the ageing tenants
  - Escalating maintenance costs

- **Products differentiation for elderly units and respective services standard**
Q & A

HS Community
www.hscare.com

Joyous Living
www.joyousliving.hkhs.com

Hong Kong Housing Society
www.hkhs.com

Elderly Resources Centre
www.hkhselderly.com/erc

Senior Citizen Residences
www.hkhs.com/sen