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Retirement Villages Development Business Model in Malaysia

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Abstract
The retirement village market in Malaysia is still considered a blue ocean due to having low supply. Following the developments of retirement villages in Malaysia, it can be observed and stated that there is no single uniform business model being implemented. Evidently, there are a number of different business models being adopted in these retirement village developments. Therefore, this article aims to identify the types of business models being adopted in the development of retirement villages in Malaysia. This qualitative study was obtained through reference materials, books, past journals, past theses, newspapers, internet sources as well as past research related. As a result, there are three distinct types of business models that can be found in Malaysia, which are the sale outright model, lease for life model and rental model. The involved parties in providing and developing the retirement homes have been so mindful and creative with the implementation of their respective business models in order to come up with a formula that is successful in Malaysia.
Keywords: Elderly Housing, Retirement Village, Land Development, Business Model Development, Ageing Country, Lifestyle.

Introduction

Population ageing is primed to be one of the most important social shifts, with ramifications for almost all society sectors, which includes money and job markets, the clamour for goods and services, such as homes, transportation and social security, as well as family structures and inter-generational ties (United Nations, 2017). Currently, the number of Malaysians aged 65 years and over is projected to be 2 million and is estimated to rise to over 6 million in the year 2040 (Ibrahim *et al.,* 2017). It is expected that the number of the elderly population will keep increasing due to the rise of life expectancy and low fertility rates (Rashid *et al.*, 2018). Life expectancy is on the rise because people are having long lives due to significant advancements in medical technology, living environment, and improved dietary conditions (Rashid *et al.,* 2018). In Malaysia, many rapid national development programs since achieving independence have ensued in the rise of income, improved health, lower fertility, higher education fulfilment, and elevated life expectancy among its population (Masud *et al.,* 2014).

Retirement villages is more well received in developed countries like Australia and the United States of America. However, it is still considered to be new in Asian countries, where it is quite common to have three different generations of people to live together under one roof, which symbolizes a successful golden age (Poh, 2021). The retirement village market in Malaysia is still considered a blue ocean due to having low supply as compared to other types of property (Jean, 2018). The retirement village concept has already been established and well supported by the government in some developed countries such as Australia and UK. Surprisingly in India, a country with strong family values, culturally is also growing rapidly when it comes to the development of retirement villages, mainly due to strong demand for well-designed housing and communities to meet the needs of older people (Poh, 2021).

As one of the emerging and growing economies in its region, Malaysia is still considered to be behind in terms of the provision of housing for the older age group as compared to other countries such as the United Kingdom, Australia, Singapore and others. The needs of the older age group in property sector seem to lack attention in the housing programmes of Malaysia. The provision of homes for the older age group in Malaysia is not regarded as a component of the housing programmes. There is a separation between housing and home for the older age group. This has resulted in many issues concerning the necessity of providing adequate and efficient housing for the elderly (Sulaiman *et al.,* 2006).

Be that as it may, experts in the property industry are of the opinion that the development of retirement villages in Malaysia may be tough (Lee, 2021). In Malaysia, the development of long-lasting retirement villages that comes with adequate care concept face a remarkable hurdle that is the absence of an acceptable policy and regulatory framework in place together with clear guidelines on how to develop retirement villages in Malaysia (Kok *et al.,* 2018). There is no comprehensive legislation and benefits from the Malaysian government in order to attract the attention of property developers in coming up with retirement village projects (Poh, 2021). The crucial obstacles in developing retirement villages in Malaysia are the absence of government support and a thorough regulatory framework, absence of industry matureness, absence of underlying research to find out market needs, mandated retirement savings only appertains to private sector employees, the generality of Asian family values, and absence of operators with existing successful business models (Kok & Chong, 2018). According to the associate director of Raine & Horne International Zaki + Partners Sdn Bhd, James Tan pointed out the obstacles in the development of retirement villages include the relatively elevated uncertainty involved, annuity, transfer issues upon death and the need for a suitable business model (Lee, 2021). Therefore, this paper is aimed to identify the types of business models being adopted in the development of retirement villages in Malaysia.

Retirement Villages in Malaysia

Retirement is considered a new concept and came into existence as life expectancy increased. The concept of retirement did not exist over a hundred years ago. It came about in this modern age due to the fusion of increased life terms, rising popularity of pension plans in multiple sectors, and the emergence of government-sponsored benefits (Anspach, 2020).
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 (Eldridge, 2010). People are beginning to view the idea of moving into retirement villages as an acceptable lifestyle option. Retirement village is described as a residential building that are intended for the occupation of retired people who have signed a contract agreement with an operator in order to move into the premises (Counsel, 2014). In simpler terms, retirement village is

described as a housing community that provide specific services and 24-hour assistance for seniors. It accommodates various lifestyles and provide features that tend to specific needs (Mann, 2019).

Retirement communities and care villages are other terms for retirement villages. These were created as a huge group of senior sheltered housing or retirement plans. Anything from an estate to a full-fledged village-sized retirement complex with bungalows, apartments, or houses intended for occupation by older people; frequently includes a variety of recreation amenities, and sometimes a nursing home. These senior retirement communities are offered by local governments, housing associations, private businesses, charities, trusts, or a combination of these in the public, non-profit, and private sectors. Retirement communities primarily serve those who are capable of living independently. Some retirement villages include elderly care facilities on the same or adjacent property. In this state, residents may relocate to and remain in nursing homes if their health deteriorates. (Yassin *et al.,* 2018).

The clamour for retirement villages in Malaysia could only rise seeing that there are more and more elders seeking for adequate and efficient homes to spend their twilight years (Meikeng, 2017). As a result of the implications of having such a large senior population, there is a huge real estate opportunity to build residences that enable seniors to age successfully. According to the Annual Global Retirement Index (2020), once again, Malaysia has been named one of the top ten retirement destinations on the earth. Malaysia currently has the opportunity to lead Asia in the development of retirement villages (independent living) housing products with aged care services (Ageing Asia, 2021).

Business Model

A business model is a framework that describes how a company will generate value. Ultimately, it captures the essence of a company's potential. A proper business model helps to figure out elements such as: the business concept - what problem is going to be solved; how to create customer value; how the business will stay competitive; and all revenue and costs that can be anticipated (Garner, 2010).

Creating a business model is essential. It can be used to capture fundamental assumptions and decisions about the opportunity in one place, setting the direction for success. A business model is fundamentally a description of how a company generates revenue. It explains how to provide customers with value at a reasonable cost (Parsons, 2021).

According to Kopp (2020), the strategy a business uses to turn a profit is referred to as its business model. It specifies the products or services that the company intends to sell, its selected target market, and any estimated expenses. Both new and established businesses need strong business models. A business model is a comprehensive strategy for running a company profitably in a particular industry. The value proposition is a key part of the company model. This is an explanation of the products or services a business provides and the reasons why customers or clients would find them appealing. Ideally, this description will set the product or service apart from those of its rivals.

Types of Retirement Villages Development Business Model

In the United Kingdom, there are now three distinct business models for investing into 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. For the purpose of creating retirement homes for sale, there are two models. The first and most straightforward model is essentially identical to the conventional housebuilder sale model, with a price premium to account for the additional expense of providing common amenities like a residents' lounge, café, or gym. To pay for these common amenity spaces, a developer may also impose an 'event fee', which is a fee assessed when a resident sells their home and is often calculated as a percentage of the sale price (Bowles, 2019).

Recently, some developers have deviated from these established models and begun leasing retirement houses for private rent, with each aiming for a completely different pricing range. In the case of Goldman Sachs-funded, luxury London scheme Auriens, customers who opt not to purchase would save a stamp duty bill equivalent to more than a year's rent. Renting enables residents of Birchgrove, a more affluent neighbourhood, to access the equity in their prior properties. McCarthy & Stone, the largest developer of retirement communities in the country, has also begun include rental units in its plans. There is significant untapped potential in retirement homes for rent. While many elderly households own their homes, a rent-to-rent arrangement could allow them to move into retirement living while still owning their primary residence and avoiding stamp duty (Bowles, 2019).

In India, there are three main models that are adopted. Firstly, 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, the rent model, residents pay a monthly rent and a small deposit for the duration of 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, this is an offshoot of the rent model but is more expensive. Residents pay a high upfront deposit and a small rent thereafter. Typically, the deposit is returned only on death or cancellation after deducting administrative charges (The Economic Times, 2015).

According to Brown (2016), there are three main funding models employed by the country's estimated 2000 retirement villages: outright ownership, which provides the unit owner title to the unit; the loan licence model, in which the majority of the incoming contribution is put up as a loan to a village operator in exchange for a licence to use the unit; and the leasehold or sublease model. There is an incoming contribution in each case, which is frequently equivalent to the price of the unit. Depending on how long someone stays in the apartment, there is usually some kind of departure fee. Operators also impose recurrent charges, which cover the day-to-day operating costs of the village and may or may not include rates, water, power, maintenance of common areas, and employee costs.

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

In Malaysia, there is no single standard or uniform business model being incorporated into the development of retirement villages. There are a number of 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. In spite of that, certain property developers have picked the outright sale model based on the inclination of Malaysians (Poh, 2021). As an 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 whereby, will cost between RM980,000 and RM2.68 million per unit. The development implements a comprehensive method in which it integrates both senior support and healthcare into residential projects (Lynn, 2015).
Jones Lang Wootton's executive director Malathi Thevendran asserted that lease for life model is an ideal choice for the development of retirement villages, in order to maintain the concept and control over the development for a long period of 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 of time would much be lesser (Poh, 2021). As an 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. In Phase 1, prices of the lifetime lease ranged between RM300,000 to RM452,000, where the only recurring fees that residents need to pay are 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 so as to provide a well-facilitated, well-equipped and sophisticated infrastructure for senior citizens. The cost of staying in the retirement villages would be affordable, ranging between RM400 and RM600 per month depending on the facilities and cares they would need (The Sun Daily, 2021). 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.
Uniquely in Malaysia, several religious retirement homes have been operated by religious organizations. Also known as "Pondok" or "Madrasah", the establishment concerns include incorporating educational and spiritual elements into the residential activities and facilities for the elderly (Ismail & Sulaiman, 2014). Baitul Maab in Temerloh (East Malaysia) for example provides two tenure options to the residents. They can either rent at RM100 per month inclusive of utility or own (waqf) with a purchase price from RM20,000 per unit. Residents must be aged 45 and over and are Muslims in order to be able to purchase a unit in Baitul Maab. Residents must be independent and healthy and do not have any chronic illnesses that require assistance. The main differences between Baitul Maab and other retirement accommodation is that the residents, upon application must be willing to participate in the life-long education program including "fardu ain" (religious) classes and other religious practices and programme (Hanif, 2016).

Methodology of Study

The aim of this research is to identify the types of business models being adopted in the development of retirement villages in Malaysia. Relevant information and data are retrieved through reference materials, books, past journals or conference papers, past theses, newspapers, internet sources as well as past research related to the topic. Eventually, the study is done by analyzing each and every information and data that was retrieved from various relevant sources through the qualitative research method.

Conclusion

This research covered and dissected the subject matter accordingly. It can be stated that the sector of retirement housing or villages will keep expanding in Malaysia due to the ever-increasing population and life expectancy rates. More local property developers will look towards developing retirement villages due to its rising demand, upcoming adequate legislative implementation and opportunities in terms of collaboration between the public and private sectors. This will only further amplify once there are established and efficient business models in place.

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