

Senior Housing's International Adventure

As developments begin to sprout up in Spain, Brazil, the United Kingdom, and other countries, providers face a host of new challenges

By David P. Collins

One of the most recognizable names in the assisted living industry is becoming familiar in the English countryside; Sunrise Assisted Living's Sunrise of Froggnal is a 30-minute train ride from the heart of London. Now, to convince the locals to move in.

Stabilized occupancy usually takes about 18 months in the United States, but due to both tangible and intangible barriers, fill-up takes much longer in the United Kingdom, possibly as much as three years. Price is one of the biggest factors, and American operators face tough challenges dealing with deeply rooted tradition and entitlement concepts.

Successive generations of British and European families are accustomed to

and increasingly demand entitlements: government paid care for nursing and assisted living. The British government has announced that nursing care and some residential care will be paid out of taxes by November 2001. The average nursing home fee is 1,608 pounds per month, about \$2,600, and assisted living costs 1,165 pounds monthly.

Competing with the entitlements available in Britain, residential care facilities run by the local government, veterans organizations, churches, and private operators, American providers face an uphill challenge to fill up at rates comparable to the averages found back home. The assisted living business as we know it is, with a few exceptions, a business of the future in the United Kingdom and Europe. One of those exceptions, however, is based in Milan.

PROJECTS AIMED AT YOUNGER, HEALTHIER MARKET

Anni Azzuri has developed a network of successful communities catering to the upper-middle class. Yet, despite the company's success, capital is constrained. Lenders are mired in the convictions that the entitlement mentality means three years to stabilized occupancy. At a city council meeting in a northern Italian city last year, the principals of

Anni Azzuri listened in despair as the communist leadership voted down their application for an assisted living community, stating: "There will never be a private assisted living community in our back yard."

The current development trend is for senior independent apartments for sale with available services as needed and, usually, a small assisted living component. One such project is expected to be in construction by the end of the fourth quarter on Spain's Costa del Sol. The project, built on a hillside overlooking the Mediterranean, will include 227 units, with only 30 of them operated as rental assisted living. The other 197 apartments will be sold to Spanish and Northern European seniors. Age restrictions will require residents be at least 55, and the average expected age is 72. Owners must observe the age restrictions for resale.

When Spain's largest provider of senior housing, Salem Oregon-based Holiday Management, decided to move into France, it held to its practice of operating senior apartments. Holiday's

success in a difficult market indicates the for-profit sector of senior housing will be solidly aimed at a younger, healthier market.

Earlier retirement in Northern Europe (80 percent of men are already retired at age 60 in Holland and the Benelux countries), inexpensive trips to inexpensive sun-belt coasts, and the leveling of the currency playing field by the euro projects a series of South Florida-like senior development.

ADAPTING TO LOCAL CHALLENGES

Is assisted living far behind? Probably. The culture that supports entitlement clings to the tradition of family care for seniors which, in many countries, is tied to inheritance.

Negative birth rates in countries like Spain, smaller families, fewer caregivers, and an aging population support future development, but specifically development directed at the upper-middle class. Sun-belt development likely will lead the way, capitalizing on the entrenched aging. On Portugal's Algarve, the 60-plus population including expatriates

tops 30 percent and is growing.

Praxis Empreendimentos Ltda., Sergio Salvador, one of the leaders in the development of assisted living in Brazil, is struggling with conflicting numbers. The country ranks fifth in the world for numbers of elderly and will have 40 million people over age 60 by 2025. Yet Brazil ranks No. 122 in the world in terms of quality of life for the elderly. There is a credibility gap between developers and the financial community related directly to a lack of proven experience in assisted living. The participation of an American operator coupled with on-the-ground local depth in real estate development and finance, will eventually capitalize on the opportunities in Brazil just as such a combination has worked for Seattle-based Emeritus and its local partners in Japan.

Under the guidance of Frank Ruffo, Emeritus intends to leverage its extensive know-how and may take aim at the biggest market of all: China. Holiday Management is already there and doing well.

Adapting to local markets will have special challenges for architects as well. When Brian O'Conner, chairman of the board of Quality Health Care Asia, Hong Kong's first publicly traded health-care company, turned loose his

PERCENT OF TOTAL POPULATION 60-PLUS: TOP 10 COUNTRIES

The majority of the world's older persons reside in Asia, 53%, while Europe has the next-largest share. If those percentages hold over the next 50 years, the number of people over 60 will grow from 476 million to more than 1.5 billion, one person in every five, and more than 2 million will be above the age of 100.

1	ITALY	24%
2	GREECE	24%
3	GERMANY	23%
4	JAPAN	23%
5	SWEDEN	22%
6	BELGIUM	22%
7	SPAIN	21%
8	BULGARIA	21%
9	UNITED KINGDOM	21%
10	PORTUGAL	21%

Source: Population Division, Department of Economic and Social Affairs, United Nations

architects on a large assisted living community planned for Kowloon, he got back a design that suited the local market exactly: six beds to a room.

The United Nations estimates that by 2025, 650 million people will be over the age of 60. Managing this growth will be the biggest problem the world has ever faced, says author Pete Peterson in *Grey Dawn*. To help cope, the experience and talent of the American assisted living community will become a highly sought-after commodity. ●

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AT-A-GLANCE

- Fill-up takes longer in Europe where many families expect government-paid care.
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