

# Research on the Development Pattern of "Old-age Care Property" in Wuhan

Fang Xu, and Wenxiu Liao

**Abstract**—With the coming of the aging society, the high aging population in Wuhan, the center city of Central China, is becoming a tendency. With the intensification of population aging, the old-age care issue is becoming an increasingly serious problem, which leads to a demand for "a socialized elderly support system". Meanwhile, recently our nation gradually conduct the implementation of the pilot about "old-age care property" policy and safety and property enterprises increase the investment in old-age care property in succession and old-age care property has become a new economic hot spot. In this aspect, Wuhan city takes the lead in carrying out attempts in China and establishes the first insurance old-age care community in China. Concluding the experiences and lessons during the process of developing Wuhan's old-age care property, this paper also takes the developing experiences of the old-age care property of foreign developed countries for reference, striving to achieve the tripartite balance of the government, developer and consumer and putting forward suggestions on building the developing model of old-age care property in order to orderly push the development of Wuhan's old-age care property industry forward.

**Keywords**—Old-age care property, old-age care safety community, BOT mode

## I. BACKGROUND OF THE RISING OF OLD-AGE CARE PROPERTY

**N**OW the old-age care pattern in our nation is home-based, but with the impact of development of economic and family planning policy, single old-age care pattern is increasingly difficult to meet the needs of the times. The State Council has issued the *Construction Plan of Social Old-age Care Service System (2011-2015)* in 2011, requiring to take the initial shape of the social old-age care service system within the "12th five-year", which should fit the population aging process, coordinate with the economic and social development and take home as base, society as support and institution as prop, and determined the "9064" old-age care policy.[1] Namely 90% of the old can take home-based care under the assistance of socialized service, 6% can take the old-age care through community and 4% can stay in the nursing homes for concentrated old-age care.

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According to the prediction of China Aging Problem National Commission, at the end of 2013, our country's aging population will reach 200 million, which is to say that nearly 8 million old people will live in the nursing homes in the future. Under such conditions, old-age care property, as the representative of nursing homes, has come into the high-speed development period.

## II. CURRENT DEVELOPMENT STATUS OF THE OLD-AGE CARE PROPERTY IN WUHAN

In 2012, the old people ageing above 60 occupied 16.71% of the total population in Wuhan. In the future 20 years according to prediction, Wuhan's population would increase to some 1 million. The rapid increasing aging population has made Wuhan face huge old-age care pressure. Meanwhile, the aging of population also presents three features in Wuhan: aging of population, senility and empty nest. Currently, the number of the old people ageing above 80 occupies over 10% of the total old people. As the change of age structure of social demography, the severe practical problems also stand out day by day, such as "getting old before getting rich", "the low birth rate" in families, "empty-nest families", etc.

At present, according to the differences between the subjects of investment and operation, the old-age care property in Wuhan falls into two kinds: government investment type and private capital investment type while the latter can be further divided into safety company investment type, real estate investment type and other capital investment types. According to build forms, it also has two kinds: nursing home type and nursing community type. [1] Nursing homes are mainly funded by private capital, few by government, but the difference is not huge in construction and operation between them. While the nursing communities are mainly invested by safety companies and real estate companies, there is a certain difference between them in build forms and operation mode. Therefore, this paper will divide the old-age care property of Wuhan into three major categories, namely nursing home, safety nursing community and real estate nursing community, to analyze.

### A. Nursing Home

#### 1) Development background

Nowadays, the aging population problem in Wuhan is especially prominent. By the end of 2012, the total population registered in the city amount to 8.22 million, among which 1.37 million are 60 or elder and 0.9 million are 65 or elder,

accounting for 16.71% and 11% of the total population respectively, exceeding the corresponding international standards. In which, the aging ratio in Qingshan District has been the highest, reaching 21.40%, making it an important issue for the Wuhan Municipal Government to solve the difficulty of old-age care. In Wuhan Government Work Report of 2011, it takes "implementing old-age welfare and care project, newly adding 5000 old-age care beds in the entire city" as a key work of the ten large practical works the government will conduct for citizens, and continuously increase the construction force of nursing homes.

### 2) *Development status*

At the end of 2011, there are 16 public nursing homes and 131 private ones in Wuhan. However, as to the construction condition, the public nursing homes are relatively larger with sound facility of health management and entertainment and higher costs. While the private nursing homes are mostly smaller in size and less equipped in terms of facilities and charge less than the public-funded ones. Therefore, although relatively large gap exists for those two kinds of old people's home in terms of number, there is no big gap as for the number of reception. The public nursing homes can accommodate about 7000 people in total, and the private nursing homes 9000 people.

### 3) *Existing problems*

Currently the most stuck out problem lying in the nursing homes of Wuhan is the functional imbalance of public and private nursing homes. Referring to foreign development experience of old-age care property, high-end nursing homes are undertaken mostly by individuals, while nursing homes funded by government mainly aim at ordinary people, especially the disadvantaged groups. Wuhan is just the opposite. Take the social welfare institute in public Jiang'an district as an example. Its total investment is 112 million yuan, and the old could live in apartment of over 70 square meters with one living room and two bed rooms where the air condition, refrigerator and washing machine are available in all varieties. At the same time, the charging standard is relatively high. The charging of the self-care elderly reaches 2500 yuan per month while that of the elderly who are provided with all kinds of nursing reaches 4400 yuan per month. So, during one year after the opening, the occupancy of Jiang'an District Social Welfare Institute is still less than 50%. The reason why public nursing homes take high-end routes is that the government excessively pursue the results brought by "vanity projects" and "face-saving projects". The inversion of function between the public nursing homes and private nursing homes will inevitably cause a huge waste of the social public resources.

## *B. Endowment Insurance Community*

### 1) *Development background*

Endowment insurance is always one of the most important business of insurance companies.[2]Nowadays, insurance companies are much more interested in old-age care property, with China trying to carry out the "old-age care property." The demographic report issued by China Insurance Regulatory

Commission in 2011 shows that the aged population is expected to cover 30% of the entire population by 2035 in China. And among those aged, the quantity of potential middle class customers who have ability to buy and live in this kind of high-end endowment community developed by insurance enterprise is considerable. Thus, the upgrading endowment requirements extremely look wonderful and promising. Old-age care property industry is naturally regarded as a strong profit-growth point by insurance enterprises in the future.

### 2) *Development status*

This year, the first old-age care community invested and built by the insurance company in domestic — Union Life Insurance Old-Age Care Community is built and operated in Wuhai. This project mainly focuses on middle class customers and adopts a mode of "warranty+real object docking". With the total investment of 10 billion yuan, it is a health industry service base integrating health care, old-age care, clinical care, academic research and medical education. Currently, the built-up promoter region covers a land of 245 mu, and a construction area of 170,000 square meters, including 2005 houses, providing 4000 beds, and the matching area covers 40% of the total, with a total investment close to 1 billion yuan. At the same time, the high-end health management center built by New China Life Insurance in Wuhan has formally opened and come into service, and provides health examination, medical service, the old-age care and other services for the old-age customers and policy holders. Taikang Life will also invest nearly 5 billion yuan to build aging community in Wuhan.

### 3) *Existing problems*

Currently, it is not long after that insurance enterprises entering endowment insurance market and there has formed no effective profit models. At the same time, old-age care communities built by insurance enterprise mostly have high-end location and higher charge standard. Take the old-age care community of Union Life for example. A client has to pay a monthly charge of 1000 yuan to 3000 yuan besides the antecedent money of 50,000 yuan to 900,000 yuan. Therefore, the actual operation effect of endowment insurance community still remains to be seen. At last, China Insurance Regulatory Commission has regulations about that insurance fund can not be used to invest real estate, does not allow insurance enterprises to enter into real estate development and does not allow long-term life insurance to connect with real estate, which is comparatively unfavorable for insurance enterprises developing old-age care property. And the long-term old-age care property operation of insurance enterprises exists some difficulties.

## *C. Old-Age Care Property Community*

### 1) *Development Background*

Along with "old-age care" issue has become social hot spot in recent years, and the large domestic real estate enterprise Poly Real Estate makes high-profile announcement that it formally enters into the area of old-age care property. Meanwhile, well-known real estate enterprises such as Vanke, Greenland, China Resources and Capital Group, etc. also pay attention to

old-age care property in succession. As a result, old-age care property becomes the "blue ocean" that is highly valued by developers.

### 2) *Development status*

In the practical operation, the early adopters of real estate old-age care community are only a small number of pioneers. Because the return on investment prospect is not clear or bright enough, most of the real estate enterprises are still in the wait-and-see stage, and the enterprise that really enter the project operation is just Wuhai Qiaoya Group. Currently, Qiaoya Group has developed Optical Valley endowment cultural region, Chinese filial piety village, Yile Park and other several old-age care property projects in Wuhan. However, they are not so popular that those endowment communities have elegant environment and abundant support equipments, and obtain good reputation in all sectors of society, but the inhabitant situation is not positive. There is no comparison between the earnings of old-age care property and that of common commodity houses.

### 3) *Existing problems*

At present, business model of old-age care property development is still not mature. Old-age care property actually is a program that lays stress on public welfare, but it enjoys no material privileges in aspects of land acquisition, construction cost and relevant taxes, etc. That is to say, with the cost of commercial residential building, the enterprises are building old-age care houses. Moreover, the operation cost of old-age care houses in the later stage is also high, which causes the low-profit era for old-age care property. On the other hand, parts of the real estate enterprises are just using the flag of "old-age care property" to develop ordinary commercial residential buildings. And the so-called "old-age care property" projects do not have corresponding supporting facilities, which are difficult to meet the living requirements of the old.

## III. SUMMARY OF EXISTING PROBLEMS IN OLD-AGE CARE PROPERTY DEVELOPMENT OF WUHAN

### *A. Cold Outside-Passionate Inside Of Market, Lack Of Effective Consumption*

The old people group is the primary consumption group for old-age care property. Currently, this consumption group in Wuhai City is relatively large, but the consumption capacity is relatively insufficient. It is mainly reflected in the following two aspects: the first one, the number of relatively richer old people with independent economic income is relatively small, which just covers around 10% of the total. The pension of most of the old people is lower, and they are supported by their offsprings; Secondly, the consumption habits of old Chinese are different from those of the old foreigners. Old Chinese would like to leave more money to their descendants. This has given rise to a big potential in old-age care property in Wuhan, yet the real market scale is limited.

### *B. The Government's Investment Deflects In Orientation, And "The Best Resources" Are Not Used At The "Key Point"*

At present, most of Wuhan's investment in old-age security are put into a few "star" nursing homes, because they are "model projects" established by the government, which reflects the government's "achievements". However, the construction standard of public nursing homes which originally are welfare is too high, resulting in issues of rising operation cost. Thus, those "star-level nursing homes" have to charge residents expensive fee, which is opposite to the original intention of public "welfare" nursing homes. Meanwhile, funds are extremely concentrated on "star-level nursing homes", which results in issues the government does not have enough fund subsidies to construct private nursing homes. Thus, most of private nursing homes in Wuhan have inferior facilities. The bias in the governmental investing direction causes the functional imbalance of public and private nursing homes in Wuhan.

### *C. No successful pattern of payoff yet, the investment risk is relatively high*

Currently neither public welfare undertakings nor old-age care property in market-oriented operation has any successful profit model. Most of the private nursing homes have little profit or even run with operation loss, the development of real estate old-age care community also does not meet with the expectations. At the same time, due to the speciality of the old, once some unexpected events occur, improper handling can easily result in various disputes which would affect the operation and profits of the projects, or even result in a series of legal disputes seriously. Therefore, although investors are with keen interest in real estate projects, most of them choose to wait and see.

### *D. The specialization level is relatively low, some of the enterprises "cry up wine and sell vinegar"*

Besides the few enterprises, most of the real estate projects in Wuhan with the selling point of "old-age care property" are in the architectural forms of all duplex apartment or hotel. What is worse, there are people who hype the concept of "old-age care" while still construct the development of ordinary residential area. They cry up wine and sell vinegar only to get the land. The product design lacks innovation and targeted old-age care property products. Such market current situation disappoints many consumers.

## IV. SUGGESTIONS FOR DEVELOPING EFFECTIVE OLD-AGE CARE PROPERTY MODELS

### *A. Establish The Government-Leading "BOT Mode*

BOT is Build-Operate-Transfer in short. Under the BOT mode, through identifying the franchise agreement, the government departments enable these investment projects with the rights of financing, build, operation and maintenance, etc. And the investors can have the operation power of the project within the concession term of the agreement and they can charge appropriate fees as the return of investment. After the

concession period expires, the investor transfers the projects to our nation for free. [3]

In this kind of mode, the government will reduce the direct investment in the old-age care projects and turn the funds into the assistance of the civil old-age care project development, so that to avoid the phenomenon of function imbalance in the public and private old-age care institution. Meanwhile, the participation of the government will tremendously increase consumer's confidence. [4] It will accelerate the sales of real estates for old-age care to some extent and thus helps to attract investors effectively. Upon the expiry of the agreement, investors transfer the possession of old-age care property project for free, and the government could transform it into welfare old-age care institution to remit the situation of "hard to find an empty bed" in old-age care institution, then effectively solves the old-age care problems of low income earners.

#### *B. Extend The Industrial Chain Of Real Estates For Old-Age Care*

Relative to the development of the old-age care property of relatively mature areas, the extension of the old-age care property in Wuhan now is relatively narrow, which mainly concentrates in the development and operation of the old real estate industry, such as nursing home, nursing apartment and home-based house. The industrial chain of the old-age care industry still has a great extending space. Concluding the foreign experiences, Wuhan's old-age care property also has an extending operation space in many aspects, such as the elderly services industry, and the health care industry, goods industry and cultural tourism industry for the old and so on.[5]

#### *C. Promote Inhabitant Mode Of The Combination Of Rental And Sale*

The traditional sales mode of the old-age care property is to finish the houses first and then sell it to the elderly residents. The advantage of this mode is that the money can be get back quickly, but in terms of the elderly consumer group, the "one size fits all" sales mode will lead the follow-up service difficult to be followed. As soon as things go wrong, it is hard to be settled satisfactorily. But under the rental mode, the old can live in the nursing apartment by paying a certain amount of money and later pay the rent monthly. The recovery of the capital may be slow using this method, but the senior citizens have certain right of supervision, making the service of the developers more perfect. [5]The developers could adopt the marketing mode of combination of rental and sale to provide more choices and better service for the old-age residents to further improve the operation effects of old-age care property.

### V. CONCLUSION

We can see that in market economy, urban and rural planning faces more intricate situation than ever before in aspect of floor area ratio management. Under the influence of a series of factors, it is right to put forward elastic control thinking of regulatory indicators in the management of planning, which is a reflection of improving city planning adaptability, playing the

function of control and guidance of city planning. However, the subsequent problems shall also not be ignored. Now, our country is facing a whole new stage of development. Though, at the present stage, there are still some loopholes in the floor area ratio management of our country, we believe that, in the near future, it will inevitably be scientized, diversified and standardized gradually.

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