



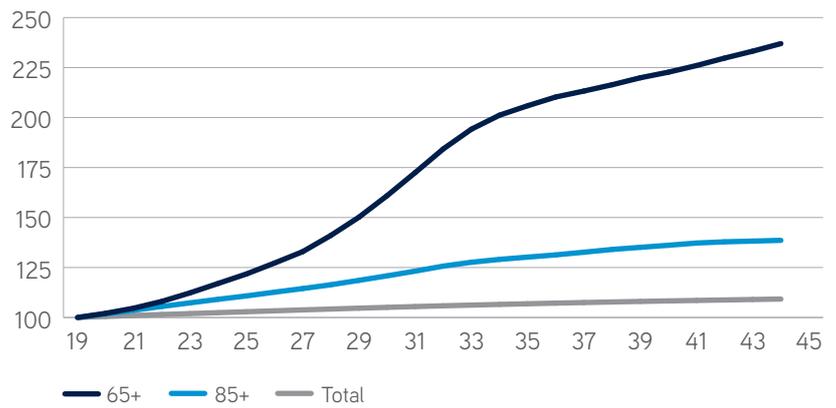
# SENIOR *living*

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*The ranks of the elderly will expand substantially in the coming years. This has served to whet investor appetite for dwellings matching the requirements of this population segment. This article zooms in on the senior living concept, exploring the concept of for-profit assisted living.*

The term senior living covers housing for seniors with widely disparate residential requirements and preferences. For sociable people, such senior housing could be senior living communities that combine the options of privacy and social community, typically targeting the 50-70-year age bracket. Assisted living facilities cater to the needs of seniors unable to cope in their own home. This housing type requires an appropriate layout, including wide doorways, absence of doorsills and spacious bathrooms leaving room for wheelchairs and healthcare personnel, etc., and the dwelling must be level with the ground or be serviced by a lift. Nursing homes

FIGURE 1:  
**POPULATION FORECAST,  
DENMARK  
(INDEX 100 = 2019)**



Source: Statistics Denmark

offer skilled nursing and long-term care and services as well as relevant personnel to cater to the needs of residents. Accordingly, what distinguishes an assisted living facility from a nursing home is not the dwelling itself, but rather the services offered.

### Strong demand for senior housing

The next decades will see a sharp increase in the number of senior citizens in Denmark, like in so many other industrialised countries. This is partly due to

higher average life expectancy, partly to the fact that the large generation of post-war baby boomers, born between 1945 and 1965, has gradually reached or is approaching retirement age. The above graph shows that by year 2045, the Danish population is expected to

## What is for-profit assisted living?

“For-profit assisted living”, a term first introduced in the 2015 Act on for-profit assisted living, is a concept denoting a care facility that is not run by the local authorities. According to the Act, natural and legal persons are eligible to become suppliers of such assisted living facilities. In other words, businesses, funds, self-governing institutions, etc. may become certified to provide services and be in charge of letting individual assisted living units.

For-profit assisted living facilities do not require any specific corporate form, but are typically operated according to the following model:

- 1 The property owner develops an assisted living facility and enters into a long (minimum non-terminability of 15 years) commercial tenancy agreement with an operator. This makes it possible for the owner to build an attractive and efficient assisted living facility.
- 2 The operator lets individual units in the assisted living facility, offering home care and other services against an

additional fee charged on top of the rent. Typical services include meals, laundry service, window cleaning, delivery of cleaning and personal care products, etc. The range and price of these services are determined by individual operators and therefore vary from facility to facility. The operator alone bears all occupancy risk.

- 3 The residents pay rent to the operator of the assisted living facility. Because the rent is regulated by the Danish statute on social housing, it cannot exceed the rent payable in a municipal nursing home.
- 4 The municipality pays a daily care tariff per resident to the operator. The tariff varies from municipality to municipality, corresponding to the average, long-term costs of a comparable, municipal nursing home.
- 5 The Danish State pays housing benefits to the residents, provided their income and wealth make them eligible. The units are laid out with private kitchen and bathroom facilities so as to qualify for housing benefits.

# For-profit care centres





*The property owner will typically benefit from a yield premium of some 25 bps if developing for-profit assisted living facilities rather than ordinary housing intended for divestment.*



have grown by approx 9% overall, the 65+ age bracket by approx 39% and the 85+ age bracket by 140%. Various housing concepts are in play for these older age groups. This article focuses on assisted living facilities rather than independent living facilities or senior living communities. New construction of senior housing is expected to gain momentum in the years ahead, irrespective of housing type. KL – Local Government Denmark and DaneAge Association (Ældre Sagen\*) estimate that an addi-

tional 20,000 to 23,000 senior housing units are required by 2030.

### WIN-WIN-WIN-WIN: Owner-operator- municipality-resident

The for-profit assisted living concept may be advantageous to all parties involved:

The property owner will typically benefit from a yield premium of some 25 bps

if developing for-profit assisted living facilities rather than ordinary housing intended for divestment. At the same time, the operator stands to benefit from secure and stable operations based on a long tenancy agreement. Even if the operator goes bankrupt, the owner will incur no losses as the municipality steps in as an interim operator.

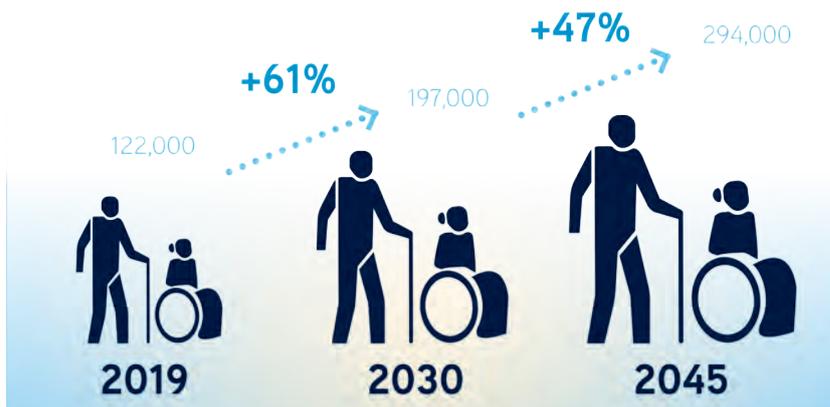
Because residents are free to choose assisted living facility irrespective of geographical location, the operator is guaranteed a wider catchment area as residents from all over the country are able to apply for a dwelling in their facility. Needless to say, this depends on the operator's ability to offer the most attractive dwellings.

As far as the municipality is concerned, the concept means that the municipality is not required to pay for construction of the facility, avoiding a strain on municipal construction budgets. In addition, the municipality will only pay for the residents living in the facility and therefore assumes no occupancy risk. Finally, the concept makes it easier for the municipality to provide individual citizens with a choice of senior housing, in keeping with its mandatory obligations to offer a dwelling within two months of the citizen being declared eligible for senior housing.

All other things being equal, an increasing number of assisted living facilities will intensify competition and, because rent is regulated, the only competitive parameters are quality, location and services.

\*non-profit, direct membership organisation that fights ageism and promotes the rights of senior citizens.

### BOOM IN THE RANKS OF SENIORS AGED 85+



# CASE: LÆRKEVEJ

## Attendo and Scandinavian Property Development (SPD)

Both businesses became aware of the opportunities offered by for-profit assisted living in Denmark in connection with the 2015 statutory amendment.

Attendo is highly experienced in operating care centres throughout the Nordics, having operations in about 100 municipalities and employing some 24,000 staff. SPD has developed seven care centres in total, including six in Sweden, and strives to build high-quality independent and assisted senior housing with a green and sustainable profile.

Lærkevej Care Centre is their first joint assisted living facility in Denmark, with SPD being in charge of construction and Attendo acting as operator. It opens on 1 June this year, featuring a new concept that offers both independent and assisted living facilities. Overall, the facility comprises 70 assisted living units and 72 nursing care units. Attendo's Business Development Manager, Denmark, Lasse Ernst, explains: "It will make a difference for the municipalities and the residents".

"For-profit care centres present very special challenges," Lasse expands.

"The main challenge of such care centres may well be rooted in fundamentally ideological opposition among politicians and civil servants to public-sector privatisation. Also, the fact that the municipal day tariff is not necessarily transparent poses a financial challenge."

Niclas Thorsbrenner, partner of SPD, adds: "There are two aspects at play here; firstly, the question is whether tariffs are accessible; secondly, municipalities do not necessarily always apply the same method to calculate tariffs."

However, Attendo and SPD are not afraid to pick up the gauntlet: "As a minimum, we expect to start construction on two or three care centres annually for the next five years, first off with a geographical focus on Greater Copenhagen and northern Zealand," says Lasse.



Illustrations: Bjørk & Maigård

Furthermore, private senior care facilities are slowly becoming more prevalent in the market: "Because municipalities have discovered the potential offered by the law on for-profit assisted living and have started to recognise the growing demographic need, and because of the cap placed on their construction budgets, interest is today stronger than in 2015," Niclas adds.

### ABOUT LÆRKEVEJ CARE CENTRE

*Lærkevej Care Centre is located in central Frederikssund and offers e.g. workout facilities, a small orangerie, spa facilities, balconies and two large communal rooftop terraces.*