Business Standard

Independent living for senior citizens

Buy a retirement home for use, not for investment

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Abhimanyu Jain, 65, has been living at Ashiana Utsav, Bhiwadi, a housing project for senior citizens for the past eight years. Jain, who has two daughters, was keen to live independently after he retired as a computer engineer from software services company IBM. What he likes about this retirement community is that even a single person can live comfortably, with dining and medical facilities, lots of activities that keep residents engaged, and chores like maintenance, laundry, bill payment, etc, taken care of.

Growing demand

Financially independent senior citizens like Jain are fuelling the demand for housing projects developed specifically for them. A mix of demographic and social trends is driving this. According to projections by the Census of India, the percentage of elders in the total population is expected to rise from 7.4 per cent in 2001 to 12.4 per cent by 2026. India had about 76 million senior citizens in 2011. This figure is expected to more than double to 173 million by 2025.

Among social factors, the break-up of the joint family as an option that one could fall back on in old age, children moving abroad or to another city for work, the desire to not be a burden on the children but live independently among peers from the same age group, the upscale nature of current projects, and the vanishing stigma around such a move are all leading to an increasing number of people opting for such projects.

Growing demand has elicited a strong supply response. Currently, at least 30 entities are developing housing for this segment, including Ashiana Housing, Max, Tata Housing, Mantri, Brigade and Paranjape Schemes. **(WIDE RANGE OF OPTIONS AND PRICE POINTS)**

Buy, rent or lease?

Buy: This option is well suited for people with deep pockets. "Buying ensures you can live in those premises all your life. There is no anxiety that you could be driven out," says Shashank Paranjape, managing director, Paranjape Schemes (Construction). People who sell off a house and reinvest the money in a retirement home can also save tax on capital gains. Whatever capital appreciation happens in the property will be enjoyed by the buyer or his heirs.

The only risk in this option is that the senior citizen could end up spending a large part of his retirement kitty on purchase. Also, his heir will be able to live in it only after he crosses the minimum age.

Lease: The buyer makes an upfront deposit and then pays a regular rent and other charges. The cost of entry is lower here. If the children live abroad, they are freed of the burden of selling off the property after the parents' lifetime. When the lease period gets over, a certain portion is deducted and the balance deposit is returned. "The disadvantage of this model is that the lessee does not enjoy capital appreciation," says A Sridharan, managing director, Covai Property Centre. If you wish to exit early, you can only do so if the developer gives his consent.

Rent: People who are not sure about whether they like the concept of living within such a project might test the waters by renting and living there for a few years. If they like it, they can go ahead and purchase. As a long-term model, it carries the risk that the developer could ask you to vacate at any point.

Do the due-diligence

Prospective buyers should bear in mind that service is a critical component in a retirement housing project. "Invest only with a developer who has the capability to offer high-quality service," says Ankur Gupta, joint managing director, Ashiana Housing, which offers senior citizens' projects in Bhiwadi, Jaipur, Lavasa and Chennai. A Shankar, head of operations, strategic consulting, Jones Lang LaSalle, too, agrees. "While amenities can be created through capital investment, it is how they are managed and the service delivery arrangements that will determine the project's popularity," he says.

The developer and his project should also have the capability to support senior citizens in their later years. "As the senior citizen ages, he might need assisted care, both long-term and short-term. There is a need for specialised centres manned by doctors, nurses and care givers who can offer rehabilitation and care with advancing age," says Sridharan. Only if the retirement community offers such facilities will seniors be assured that they will be taken care of when they become physically dependent.

Go with a project where the developer has a mix of sell and lease/rent model. "A 100 per cent sale model typically promotes speculative buying. A large percentage of the project might remain vacant on commissioning," says Shankar. It becomes difficult to develop a vibrant community in such a project. Retirement communities where the developer has sold entirely and outsourced the services should also be avoided. "If the service provider doesn't earn a high rate of return, he could quit and the senior citizens would be left in the lurch. Go with a developer who has a track record of running his projects himself," says Paranjape.

Visit the project if it is already occupied or go to one of the builder's older projects. "Speak to the residents. If they are satisfied, go ahead and buy," advises Jain.

A sound investment?

Financial planners are of the view that it is best not to treat a retirement home as an investment product. Invest in one because you need it. While most developers might assure you that demand exceeds supply and you are likely to exit at a profit, your experience could be different. "You will only be able to sell to those above 50. The return such a property fetches will depend on demand-supply and the project's quality. If supply increases in the future, your return could be low. Quality of the project, its maintenance and vibrancy of the community will also determine your return," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.