

Timeshare Product emerges in China's Retirement Living Communities

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In the last couple of years, China has seen its demographic shift from a “young” country to an ageing society where affluent families are going to spend more money for their elderly family members to enjoy a decent quality of life in retirement living communities. Developers have already identified this opportunity. Many properties built in resort destinations are no longer targeted to general visitors from mid-to-high income families, but will also, in many cases, be tailor-designed for aged and independent seniors. One of the product types and marketing tools for those retirement living communities has been the timeshare approach.

Haven't heard about it?

The combination of many factors: a rapidly aging population; the increased momentum of China's incredibly fast rate of urbanization has created increasing amount of real properties in the marketplace; the switch from an economy manufacturing goods for export, to becoming a nation of middle-class consumers; family's enthusiasm and capability of spending more on travelling; a consequent breakdown in the Confucian ethic of filial piety; the increased cost of housing in the cities; and the general awareness of retirement choices among senior citizens and their adult children have resulted in the creation of a unique product type for China's elderly people—it serves a multiple way to provide housing and care/amenity services for its large and growing elderly population who want to enjoy a retirement life in scenic areas at a lower cost than in a downtown, traditional, multi-generational house.

What this means is there is a market need for seniors to have a house,

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preferably at low cost in a tourist destination, where amenity and minimal healthcare services can be provided. It will be a place more like a second home that elderly people will occupy at seasonal intervals when they are independent, which is sometimes referred to as “snow-bird” retirement living.

Isn't this a natural match for an innovative timeshare-type model?



Major players and their products

Few international hospitality brands are found in this specific market segment- senior living services - right now, other than in the USA, due to the fact that this is still a comparatively new concept in Asia. The market needs time to develop before global capital gets interested. Market players are now mainly domestic entities—they are senior living operators, real estate developers and insurance companies who are very actively constructing senior living communities, in response to the region's changing demographics. Developers are discovering that just one retirement campus is not sufficiently attractive for prospective buyers because, for example, those young-at-heart seniors from the Northern regions may want to live in the Southern regions in winter and are willing to travel to different places for a period of time throughout the year. Senior care developers and operators who have nation-wide asset portfolios believe if they can provide a product with options for residents to live in different but attractive locations at different time through the year, then this will be a good selling point.

Patterns of “snow-bird” retirement living can work well with timeshare-type arrangements where usage rights within a senior living property is shared by different owners, where one owner will be allowed to use a particular home or apartment at a particular time; however the typical length of the term of “timeshare” occupancy within the senior living product will be much longer than that under a vacation timeshare arrangement, where usage is usually measured in intervals of one or more weeks.

Product types are yet to be proved successful. For example, a Shanghai based senior care operator, Cherish-Yearn has developed a membership card that gives participants the choice to live in its chain of communities throughout the country at given times. The sales performance of Cherish-Yearn's membership care is fairly good; however, the operator has found that in winter,

their Sanya community is overcrowded but in summer it is hard to attract move-ins. One may argue this could be a difficulty all timeshare operators may be facing.

Yes, it might be. But solutions to deal with demand balancing and inventory utilization just require some innovative thinking. While a typical timeshare project might think of promotional approaches such as discount to persuade members to visit resort destinations in shoulder or low seasons, retirement communities could highlight their specialty in healthcare and wellness management and medical services to generate occupancy and demand. This partially explains why international hotel brands are not interested in the business yet since they are in lack of the expertise to accommodate service components related to healthcare but they are often familiar with the wellness concept and there are obvious possibilities for partnering with specialists in these other fields.

Opportunities for international brands

Having that said, it doesn't mean international timeshare brands are not suitable players to enter the senior living market. Quite to the contrary, their opportunity has just emerged. It is just a matter of timing and whether they can find the right partners to create a truly unique product in response to the expanding retiree demographic segments in many parts of Asia.

When it comes to the question whether it is the right time for international brands looking into the timeshare market specific to affluent seniors, it raises the question of whether timeshare is well recognized and accepted within the Chinese market. Historically, timeshare was introduced into China in early 1990's but was almost halted by reputational issues. It is only in recent years that several hotel brands from Asia have tapped into the industry by reaching out to middle class families that timeshare has been able to raise its profile.

In the United States, the timeshare industry is dominated by some of the leading Global Hospitality Brands, such as Wyndham, Marriott, Hilton, Hyatt, Starwood and Disney, as a direct consequence of a well-regulated marketplace. Consumer awareness is yet to be cultivated in China. However, market reaction for those timeshare products specifically for senior living has turned out to be surprisingly stronger than many expected. Apart from the reasons we have mentioned in the beginning of this article, lack of sizable retirement communities being developed at the pace of exploding demand that can serve both the leisure and healthcare purpose is another reason, which could be both opportunities and challenge for investors.

An ideal resort and retirement property that can be sold through a well-constructed shared ownership arrangement, could be developed and operated by the combined forces of developer, timeshare operator, healthcare operator and other ancillary providers such as marketing team and a trust company.

Projects in many tourist destinations are extremely large and can accommodate many different product types. It may possible, through well-conceived master planning, to allocate a portion of a large project for an experimental initiative by providing a timeshare product for seniors. This step-by-step approach can usually be accepted by Chinese developers. Many foreign senior-care operators (mostly from the US and Europe) have positioned themselves quite well in

cooperating with local developers, which has proved to be a good way to address the care needs for residents to live in those communities.

Now, it is just the matter of whether timeshare operators who have appropriate expertise in hospitality plus know-how in timeshare management can find their right position in the business. We believe international brands are best placed to fill in the gap in expertise in the product structuring, marketing and management of timeshare. Although, due to the absence of regulation and historical lack of self-discipline for timeshare products in China, challenges now seem bigger than opportunities, we do anticipate a promising future will emerge in the retirement segment adopting a timeshare basis of operation. Some innovation and adaptation focused on the Chinese consumers will be needed to make this concept work—we will discuss those points in another article.

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