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A case study for assisted living in Seville, Spain

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It is a well known fact the world's population is getting older, and seniors are aging in place--or at least they want to! As the assisted-living industry in the United States cleans up the dilemmas created by the lightning fast growth of the mid to late '90s, different economic dynamics are at

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work in other parts of the world. In one case, interesting socio-economic behavior is occurring in Seville, Spain. Considering all the favorable numbers were in place--what seemed to be relatively inexpensive property available in a city of 900,000 and a dearth of competition--a market study became the next step, and as it turned out, the final step. The challenge was to develop the acceptance of a new product while applying all the usual economic and feasibility investigations for an assisted-living project.

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Su Eminencia

The site chosen was the original house of the Cardinal Archbishop of Seville. The magnificent residence was created and christened "Su Eminencia" (His Eminence). Unlike most projects with a building on the site, this one actually worked into the concept, and brought dignity and recognition to the project. Located just inside the city, the structure of the hacienda was in excellent condition with 18-inch to 24-inch thick lathe and plaster walls. The grounds included an orchard clearly visible from the street. It could very well have been a mansion in France, a castello in Italy or a manor house in England.



In Seville, an agency of the regional government planned to auction the property to a qualified bidder, balancing criteria for the best use and highest price. As it developed, the primary competition would be from a powerful local group called Opus Dei, which planned to convert it into a school and dormitories. The competition could be characterized as "young versus old." Though the importance of education is nearly impossible to argue against, one factor favored the assisted-living project. The Spanish government is responsible for the ultimate care of the country's seniors. This is the case in many European countries, not just Spain.

Demand

Many think of Seville as one of the most unique cities in Europe. Seville is what most Americans think of when they imagine Spain, with centuries-old cathedrals, a historic bull ring, winding streets designed for four-legged traffic and the flamenco dancers doing their Sevillanas.



Seville is geographically small but densely populated. Because this is typical of many European cities, site selection for communities that can achieve even a minimum critical mass are few and far between. Selecting a site to accommodate the number of people to achieve economies of scale is very difficult. The Su Eminencia property is located in an area of Seville that allows for a larger community offering economies of scale and provides congregate and assisted-living services the market would likely demand.

Spain's demand for senior housing continues to rise as its aging population increases. Of the estimated 40 million people in Spain, nearly 7 million are over the age of 60. In Seville and its outlying areas, the 60-plus population is around 900,000. That number is expected to increase by 24 percent in the next five years. It is reasonable to assume there is a need for assisted-living housing and services in the market area, particularly considering the virtual absence of high-quality communities operated by well-trained and experienced management.

Early on, the market study concluded the majority of Seville's population over 60 was concentrated within the city limits and was not in the suburbs. This fact was positive since the hacienda is located within the city limits of Seville. The pro forma analysis indicated--based on the value of the property and the fees needed to achieve a reasonable margin--there were more than 13,000 seniors in the city of Seville who met the income/affordability criteria. The market study also concluded the older seniors were more affluent than the younger seniors, which led to the supposition that assisted-living services could be provided on a fee-for-service basis.

In the United States, the market for assisted-living and congregate services is relatively mature. Those looking for senior-housing communities understand they will have to pay more for services over and above the actual cost of living space. The level of services available in the U.S. model is different from typical senior housing in Spain.

For example, a facility in a residential neighborhood on the outskirts of Seville was essentially an unused wing of a hotel that provided 53 studio units of supportive living for seniors. "Supportive" meaning

not all the activities of daily living were available. The services included food and minimal activities. The space was on a sub-lease to the hotel and was determined to be operating at a loss. The assisted-living units were helping to support the hotel business.

Competition

Market studies confirmed the need for residential senior housing in Seville. Home care is not a competitive concern since it is not an established method of providing assistance with activities of daily living--normal or instrumental. Most of the competition is from facilities run by religious orders and the government, providing only the basic board and care services. These types of housing provisions are typical throughout Europe. Some communities in the planning stages are nonprofit co-operatives being built by seniors themselves and provide only the services the co-operative owners dictate. Most are projects built by groups of certain ethnic or religious persuasions, which are for their members only.



Feasibility

The questions raised in the market study would apply anywhere. Will elderly Sevillans move from their current housing situations to an assisted-living community? Would an assisted-living community be economically viable? Market studies determined Sevillans interested in assisted-living and congregate housing had basic trepidations. Will operations continue long-term? What happens when residents become too ill to stay in the community?

As in most of Europe, Spanish citizens have a strong sense of entitlement. This fact cannot be understated. The government has always provided healthcare and supported retirees with pensions and housing. Assisted living, as a private solution, places more of the burden of long-term-care in the hands of the seniors and their families. This change would be radical, but ultimately crucial to the economy of Spain.



The project in Seville had just about everything one could want in an assisted-living project concept, a site with exceptional and unique qualities, local and regional government support, and an excellent design team and other important talent on the team.

The question that had to be answered in the determination of the project's feasibility had to do with the link between cultural attitudes

of the income-qualified and the economic feasibility of a project within the primary market area. Though the reality of the future needs of seniors in Seville, as well as the rest of Europe, are becoming more apparent, there are still strong attitudes, cultural aspects of class and traditional lifestyles that are important to consider. These issues require extra sensitive handling, especially before moving forward with a project of this magnitude. Cultural nuances related to class are still very strong in Seville as well as the rest of Europe.

Conclusion

It was felt the bottom line in the case of Su Eminencia was that the income-qualified seniors would not readily move out of their current living situations to a different part of Seville. This was determined no matter how much better we believed the specially-designed senior-housing communities could be for them.



In many cases, the centralized nature of the city is felt to be accommodating enough for seniors who have always fended for themselves within their little neighborhood. It is not uncommon, whether it is in Seville, Paris, Berlin, London or Lisbon to see seniors in the central parts of the city doing their shopping, conversing with their neighbors and watching the passers-by.

As the market becomes more aware of the options and savings specialized senior housing has to offer, more seniors might be willing to take the leap. The process took some time in the United States. Why did it take until the early 1980s for the assisted-living industry to take shape? Need, cost and education are probably the short answers. Many parts of Europe are still on the same learning curve, it's only a matter of time.

Eckstein is the principal of Senior Living Enterprises LLC, a Los Angeles-based senior-housing development and consulting company. He is also one of the co-founders of Senior Living International, Espana, BV, and EuroSenior Living Ventures, S.L., both based in Spain's Costa del Sol. Eckstein can be reached at scott@euroseniorsclub.com.

Research Offered to International Providers

By Mary Knight-Burdsal

In addition to contending with the inherent complexities of the assisted-living industry, providers serving consumers in the global marketplace also must consider cultural factors and the dynamics of the healthcare system in each country. As this challenging new

industry expands internationally, several organizations have arisen to help both providers and consumers make educated choices to create a positive outcome for all involved.

One such organization is the International Assisted Living Foundation (IALF), founded in 1998 with seed money by the Assisted Living Federation of America (ALFA). Its mission is to promote consumer education and research in assisted living worldwide.

"Assisted living is a relatively new industry and research needs to be conducted at both national and international levels," says Judy Conover, IALF's executive director. "Other countries are finding assisted living is more cost-effective than nursing homes, and it creates a sense of dignity, autonomy and independence for consumers."

One of IALF's first projects was to develop a consumer-friendly assessment and management tool for assisted-living providers. Partly funded by the National Institute on Aging, alphaPlan Assisted Living Management Software is an integrated suite of applications designed to increase productivity, access reports that all departments can use, and reduce redundant data entry and errors. This user-friendly, research-tested software offers a wide range of applications, including customer-focused marketing, resident information and service planning, operations, quality outcomes and accounts receivable.

In addition to the international foundation, ALFA has created an action team called the International Council to assist owners, developers and managers of assisted-living communities. According to Conover, the mission of the International Council is to promote the concept of consumer choice and dignity, educate governments on the value of flexible regulation (which promotes care based on individual needs), and represent the many diverse models of assisted living and senior care in the world.

For inquiries about membership in ALFA and IALF or more information about the alphaPlan software, contact Francine Moore, director of media and public relations, at (703) 691-8100.



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