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Companies and Markets
Lendlease taps into China's grey boom

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Shanghai | Australian property developer Lendlease is breaking into China's booming aged care market with a $400 million deal to build a 900-unit retirement village in Shanghai, making it one of the first foreign companies to negotiate a deal in the sector without a local partner.

Lendlease will announce plans to expand into senior living in China and other parts of Asia today after negotiating a deal with the Qingpu district government in China's largest city to develop and operate the facility in a heritage water town in the city's west.

Lendlease is the latest Australian company seeking to profit from the rapidly ageing population in China, where 230 million people are over 60, making up 16.7 per cent of the overall population. However, Lendlease is believed to be one of the first foreign firms to negotiate a major 100 per cent ownership deal in the aged care sector. Many companies setting up businesses in China partner with local companies, often with a minority stake.

"With government policy changing five years ago we saw an opportunity for us to leverage our skill set from Australia and bring that across to China," Tony Lombardo, Lendlease's Asia chief executive, told The Australian Financial Review.

"We are doing this 100 per cent of Lendlease in our own right so we have had to prove to government that we are the right partner for them to deliver this important site to them," he said.

"After the free trade agreement [with Australia] was announced, we have seen a willingness for government to bring in foreign private sector to participate.

"I do get a sense they are being a bit more open and more flexible around having foreigners operate these projects. We did have to go through a bit more scrutiny upfront to get to this position but this now sets up to do more going forward."

Mr Lombardo said Lendlease hoped to secure more projects of a similar scale in China and other parts of Asia.

Lendlease signed a 50-year land usage contract with the Qingpu government to develop and operate the retirement village, which will include 900 "living units" with gardens, recreation areas and health services. The development "end value" is about $400 million and residents can purchase long-term membership rights for an apartment starting at $340,000 which are transferable. Lend Lease will own and control the site for 50 years.

Lendlease will also generate additional revenue from healthcare and other services.

Lendlease manages 70 retirement villages with about 12,500 units in Australia. It already has a major presence in China where it has completed 300 projects since the early 1990s. Construction will start early next calendar year.

While the elderly in China have traditionally lived with their children, there is now a big demand for western-style aged care services in the country because many residents growing up under the One Child policy can afford a higher standard of living.

The ASX-listed Aveo Group has a 30 per cent stake in a joint-venture company, which also owns and operates a retirement village in Shanghai. Ramsay Health Care and Macquarie Capital are also eyeing the sector.

Chinese President Xi Jinping had identified aged care as one of the industries he wanted to open up to more foreign investment. Australian companies in China have expressed concern about political tension between Beijing and Canberra but said they still saw opportunities to make money in China.

Key points

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