



MILKEN INSTITUTE

The Power of Ideas

2017

Insights for Building
Meaningful Lives

Taimur Hyat

Chief Strategy Officer, PGIM
the Global Asset Management
Business of Prudential Financial



“Over the next 25 years, the twin forces of global aging and increasing life spans will profoundly reshape the world’s economy.”

Silvertech and Changes in Real Estate

For the first time in recorded history, the old outnumber the young.

Many global population experts see aging as a challenge. At PGIM, we know it’s also an opportunity. Breakthroughs in biomedical advances, such as gene-targeted therapies, changes in real estate usage and needs, and “Silvertech”—networked devices and technology aimed at elders—will open up new sectors for investment.

Over the next 25 years, the twin forces of global aging and increasing life spans will profoundly reshape the world’s economy. This will be driven by new and different demand patterns in age-sensitive sectors as businesses and governments strive to meet the needs of an older population. And as new cultural attitudes and perceptions towards aging itself evolve, people will be enabled to lead longer, and more meaningful, lives. Alongside policymakers and businesses, the investment community has a large role to play in this transformation,

supporting the development of new goods, services, technologies, and markets.

Contrary to popular thinking, aging is and will continue to be a global megatrend, not just limited to countries in the developed world. Today, two-thirds of the world’s seniors live in emerging markets. By 2050, it is estimated that figure will rise to almost 80 percent. By then, the UN predicts there will be 355 million people over the age of 65 in China, a number greater than the entire U.S. population today.

In 2016, we gathered together some of the best thinkers in aging and longevity research for a lively debate. Our report, “A Silver Lining: The Investment Implications of an Aging World,” identified many opportunities, including real estate and healthcare technology, two areas, we believe, that will see significant shifts in the long-term.

As the notion of retirement itself is re-examined, new opportunities are

Taimur Hyat

emerging in real estate. Baby Boomers want to continue enjoying active, purposeful lives, downsizing from family homes, shifting to urban centers, often buying condominiums in communities that cater to their specific requirements, and providing special support and services as they age. We've seen growth in places such as Atlanta, Austin, Nashville, and Raleigh that take the best of a Manhattan-style "live, work, play" mixed-use residential/commercial development into more affordable locales. And as people are living longer, healthier lives, the concept of senior housing and assisted-living communities is changing quite radically from more short-term oriented solutions to something entirely new. We expect residential care real estate to also see exponential growth. By 2070, we estimate that real annual spending on nursing homes will increase by \$325 billion. But, as many seniors elect to retain their independence for as long as possible, the home health market will balloon too, by almost \$90 billion annually.

Commercial real estate will also see new opportunities due to the tremendous amount of medical innovation aimed at solving age-related diseases. Biotech clusters, including start-ups, research labs, and large medical companies, are emerging around major educational institutions in places such as San Francisco and Seattle. Again, this is a global trend, seen throughout the UK (Oxford and Cambridge), Germany (Munich) and China (Beijing and Shanghai). In its latest Five-Year Plan, China assigned biotech as one of its seven pillar industries, while Russia's BIO 2020 strategy aims to increase biotech as a share of GDP to three percent by 2030.

In our research we highlight a new wave of start-ups in the technology industry, aimed at improving the quality of life for seniors. We have grouped these under the umbrella term: "Silvertech," which we believe represents a suite of opportunities investors will want to monitor. Examples of Silvertech medical devices and technologies include mHealth (mobile medical connectivity), enabling people to remain at home while under remotely monitored health care supervision, usually through a "wearable" that tracks activity and vital signs. Some technologies in this market are more evolved than others. But in the coming decade, expect exoskeletons to provide mobility and support instead of wheelchairs, chronic pain

management tools delivered through mobile, or head-mounted virtual reality (VR) devices, brain-machine interfaces for lifelong learning to prevent memory loss, and A.I.-inside digital assistants to give prompts on medication and doctor's appointments.

In fact, Silvertech will nicely dovetail with the real estate trends mentioned above, as IoT (Internet of Things) voice-activated home-based devices and services lead to even more responsive dwellings, providing always-on assistance for the fragile and infirm.

It's our view at PGIM that the megatrends of aging and longevity will provide real, long-term opportunities for investments in areas such as Silvertech innovations and the evolving senior housing market. The future of aging is going to look very different, and the investment community can be at the forefront of transforming the experience for good.