Senior Consulting, LLC
823 West Park Avenue, #256   Ocean, NJ 07712
www.seniorlivingdeveloper.com   www.churchseniorliving.com
www.seniorlivingmarketanalysis.com   www.assistedlivingmarketanalysis.com
Phone: 732-233-4625   Fax: 631-498-0026

Senior Housing Trends and Emerging Models

Introduction

I am the CEO of Senior Consulting, LLC (SC), a development and consulting firm with over 25 years of experience in the development, management and operations of senior living facilities. Most of my team members have been with me long term, such as Rudy Yandrick, senior director of our Market Analysis team who has been with us 12 years. For further background, see www.seniorlivingdeveloper.com and www.seniorlivingmarketanalysis.com.

Primarily for our own development or with partners, over the last six years SC has completed over 200 market studies for Assisted Living/Memory Care (AL/MC) and Independent Living/Assisted Living/Memory Care (IL/AL/MC). We only look in markets with higher numbers of income and age eligible potential residents, mostly major or second tier markets. On average, 4-5 years ago we saw a positive demand in about one in five markets for AL/MC, and now that is one in eight.

When we consider a market, we will only do so if I personally "kick the tires" and mystery shop all competitors to get the most accurate occupancy, rates, comparative offerings and physical plant differentiators. I have been in almost 1,000 buildings in the last half dozen years which allows me a unique insight comparable to many of the larger industry appraisers as most that complete market analysis do not kick the tires. Plus, I have at least five discussions on modeling and trending with industry experts and operators of substance every week, let alone at least that many calls per week on the capital stack side.

To follow, we looked at trends that affect development of senior living over the next few years.

Boomers Seek Senior Housing

In 2017, baby boomers ranged from 52-71 years old. Most have, or will have, some role or influence in senior living decisions for their parents. The expectations of boomers are far different than their parents and grandparents. Senior living, and even more so in the very near future senior housing models and projects, will need to adapt to boomer expectations. While boomers will very often not own homes free and clear like prior generations, most will have sufficient equity and assets. Boomers expect more flexibility and options in services from dining to tech centers. Like millennials, boomers like walkability and are more into exercise and fitness than prior generations of seniors. Hence, we are seeing more and more Senior Housing and Independent Living projects built within Master Plans or close to downtown areas. We expect this trend to continue as boomers want that close access to restaurants, shopping, entertainment and parks.

Boomers are more likely to consider senior housing that isn't as close to home and are far more open to renting versus owning than their parents, and are moving to newer, more upscale rental communities in large numbers. Many smart multifamily developers are building luxury apartments with much more common areas from lounges to tech centers to theaters to indoor/outdoor space for entertaining that appeals to millennials and boomers alike.

Ironically, while senior living operators and developers cater to the Silent Generation who are their overwhelming number of current residents, active adult developers are going vertical and multifamily developers are developing senior housing with senior living in mind.

Independent Living Demand (vs AL/MC)

As the National Investment Center (NIC) (www.nic.org) and others have advised for over a year, AL/MC development has led to many (if not most major markets) saturated or soon to be so with pending new projects. We have seen this firsthand in a few major metros. In the last two years, we looked at greater Tampa with 17 overlapping studies. We saw two opportunities for two IL/AL/MC projects, but with Florida in general and greater Tampa being low barrier to entry for development, within six months of finding the right site and local team to begin entitlement, there were two more new AL/MC projects coming in each market. We considered IL only thereafter, but then passed on that extended market.

This past fall NIC advised that despite the saturation in many markets in AL and MC, many (if not a majority) of the major markets still have opportunities for IL development or IL in combination with AL/MC development. In more and more cases, we are seeking a shift in increasing IL in that mix of IL/AL/MC in newer projects.

All projects start with a market analysis, or better yet a detailed study backed up by a market analysis/appraisal combined such as by Valuation and Information Group http://valinfo.com/ or CBRE. In depth Market Analysis to us means competitors are visited, assessed and compared on various levels from common areas by size and type to unit mix and sizing's, services and rates. We interview social workers to discharge planners to realtors and other professionals to assess market realties and market perceptions. It is common that a potential resident will move from their middle income zip to a bordering upper middle income zip, but not the opposite, a newer generational version of not crossing the railroad tracks.

Like investors and operators, NIC focuses on the largest US markets, not third tier and tertiary markets. There are many regional operators that have been active in smaller markets, like Morning Pointe Senior Living and Dominion Senior Living in Tennessee, or Promenade Senior Living in New York. Some states present less third tier opportunities than others such as Missouri, where Americare has developed and/or operates many communities in smaller markets as well as multiple facilities in third tier markets like Columbia.

Nonetheless, when we assessed states east of the Mississippi, we see many states where there is not a strong presence of regional developers/operators addressing the increasing demand in third tier markets.

Trends in Major Metros

Over the last year, with senior housing/independent living in mind first and foremost, SC has directed its attention to metropolitan areas in the Midwestern US, initially Kansas City, Columbus and Indianapolis. As shown in the following chart, rates of growth between 2010 and 2016 in these markets have been exceptionally strong in comparison with most other major Midwestern cities.

Growth of Major Population Areas in the Midwest			
MSA	**Rank[1]**	**Population**	**Growth percentage[2]**
Columbus	33	2,041,520	7.34%
Omaha	59	924,129	6.79%
Indianapolis	34	2,004,230	6.16%
Minneapolis	16	3,551,036	6.04%
Grand Rapids	52	1,047,099	5.88%
Kansas City	30	2,104,509	4.74%
Cincinnati	28	2,165,139	2.39%
Milwaukee	39	1,572,482	1.07%
St. Louis	20	2,807,002	0.69%
Chicago	3	9,512,999	0.55%
Detroit	14	4,297,617	0.03%
Cleveland	32	2,055,612	-1.04%

[1] Rank among all Metropolitan Statistical Areas (MSAs) in the U.S.
[2] The MSAs in this chart are ordered by growth percentage between the years 2010 and 2016, according to data from the U.S. Census Bureau.

Major MSA Growth as a Consideration to Development of Senior Housing

With larger numbers of gross numbers of boomers to adult children, there are typically greater opportunities for Senior Housing (SH) -- from Active Adult to apartments, let alone IL -- in major metro areas that are experiencing substantial growth. Furthermore, the majority of investors and operators of multiple facilities prefer major or second tier markets.

We consider the major markets to be the top 25 to 40-50 with the second tier the top 75 and maybe even top 100 depending on various factors, including its growth over the last one to two decades. As an example, a market in the top 75-100 with higher income that is fast growing may be considered a second tier market (like the northern market of Madison, WI, the 86th largest MSA with a population of 648.929 and very strong growth of 7.18% or Boise, ID, the 81st largest market with a strong growth of 12.14% from 2010 to 2016).

Again, while AL/MC development has been saturated in most major markets, IL let alone active adult or senior housing development has lagged behind. Active adult typically refers to single story homes, sometimes duplexes or quads with a community center. Larger communities like many Sun Cities by Del Webb have one or sometimes more golf courses. As boomers become more of an active adult resident than a senior living resident, many new active adult offerings look more like independent living, sans a kitchen or dining room. Some are bridging that gap with coordinated lunch and/or dinner delivery services from many local restaurants. This gives the new wave of senior's flexibility and choices they expect. Plus, this new wave is relocating, many within walkable new neighborhoods in northern states and even more in major metros in warmer climates.

Hence, in added consideration of the influence of adult children in developing SH, and to a lesser extent IL and AL/MC, SC, analyzed the top 75 US MSA's to identify the fastest growing major metros.

Top 75 Fasting Growing MSA's 2010-2016

MSA	Rank[1]	Population	Growth percentage[2]
Austin, Round Rock, TX	31	2,056,405	19.82%
Raleigh, NC	43	1,302,946	15.25%
Charleston, North Charleston, SC	74	761,155	14.53%
Houston, The Woodlands, Sugarland, TX	5	6,772,470	14.39%
Orlando, Kissimmee, Sanford, FL	23	2,441,257	14.38%
San Antonio, New Braunfels, TX	24	2,429,609	13.40%
Dallas, Ft. Worth, Arlington, TX	4	7,233,323	12.56%
North Port, Sarasota, Bradenton, FL	73	788,457	12.27%
Denver, Aurora, Lakewood, CO	19	2,853,077	12.17%
Nashville, Davidson, Murfreesboro, Franklin, TN	36	1,865,298	11.63%
Charlotte, Concord, Gastonia, NC-SC	22	2,474,314	11.61%
Phoenix, Mesa, Scottsdale, AZ	12	4,661,537	11.18%
Las Vegas, Henderson, Paradise, NV	29	2,155,664	10.47%
Seattle, Tacoma, Bellevue, WA	15	3,798,902	10.44%
Jacksonville, FL	40	1,478,212	9.86%
McAllen, Edinburgh, Mission, TX	66	849,843	9.69%
Oklahoma City, OK	41	1,373,211	9.59%
Atlanta, Sandy Springs, Roswell GA	9	5,789,700	9.51%
Salt Lake City UT	48	1,186,181	9.04%
Miami, Ft Lauderdale, West Palm Beach	8	6,966,387	9.02%
Portland, Vancouver, Hillsboro OR-WA	25	2,424,955	8.94%
Tampa, St. Petersburg, Clearwater	18	3,032,171	8.84%
Washington, Arlington, Alexandria	6	6,131,977	8.80%

[1] Rank among all Top 75 Metropolitan Statistical Areas (MSAs) in the U.S.
[2] The MSAs in this chart are ordered by growth percentage between the years 2010 and 2016, according to data from the U.S. Census Bureau.
Additional notes:
- Additional markets with at least 10% growth that are between the top 75-100 MSA's include: Cape Coral, Ft. Meyers, FL, 16.74% (#78) Colorado Springs, CO, 10.33% (#79); Boise City, ID, 12.14% (#81); Lakeland, Winter Haven, FL, 10.64% (#82); Des Moines, West Des Moines, ID, 11.43% (#89); Provo, Orom, UT, 14.52% (#92) and Durham, Chapel Hill, NC, 10.94% (#97).

Of the top 75, there are 14 markets that have experienced over 10% growth in only six years. Many southern or warm weather markets continue trends dating back several decades and over multiple generations, primarily MSAs in Texas and Florida, Atlanta and in the Carolinas. Phoenix, AZ and Nashville, TN and Denver, CO are among the larger markets still experiencing double digit growth over this 6 year period.

There are some surprises and notable absences from the Top 75 list. Many California markets, such as San Jose-Sunnyvale-Santa Clara continue to grow at a fairly substantial pace of 7.73%, as well as San Diego-Carlsbad at 8.19%, but have slowed from previous double digit growth. Oklahoma

City, OK, the 41st largest MSA with a population of 1,373,211 and growth of an impressive 9.59%, let alone Tulsa, OK, the 55th largest MSA with 5.3% growth may be surprises to many as these markets have surpassed other growing warm weather destinations, like Tucson, AZ, at 3.67% or El Paso, at 4.71%, whose growth has slowed.

As referenced in the Midwest chart where we looked at the top 12 MSAs and Columbus, Omaha and Indianapolis with 7.34%, 6.79% and 6.6% respectively lead the way, yet the 14th MSA in the top 75, none are in the Midwest or Northeast for that matter, The closest is the Washington, DC, Arlington, VA and Alexandria, VA, area at 8.80% growth – still a substantial added population of approximately 450,000 residents in only six years.

The definition of a major market versus a second tier market, let alone a third tier market, tends to blur between different industry experts. For us, third tier markets begin after the top 75-100 largest MSA's. We would consider many smaller second tier or larger third tier markets to have opportunities for Senior Housing and IL. Potential examples include: Fayetteville-Springdale-Rogers, AR & MO, a MSA ranked 105 with a population of 525,032 and growing at 13.35% or even more so Myrtle Beach-Conway-North Myrtle Beach, NC, SC, the 118th largest market with a population of 449,295 growing as fast as the Austin, TX, market at 19.26% or Savannah, GA, the 137th largest market with a population of 384,024 growing at a very strong rate of 10.48% like many southern markets. Rounding the top 150 markets growing above 10% are Naples, FL, and Ft. Collins, CO, with growth of 13.57% and 13.47% respectively.

There are other growing markets that most would consider third tier, like Pensacola, FL (ranked 109 with a population of 485,684, Springfield, MO, with a population of 458,930 (ranked 113) and Reno, NV, with a population of 457,667 (ranked 114) that are worthy of development based on the added consideration of being relatively fast growing markets at 8.17%, 5.09% and 7.58% respectively.

Even small to mid-sized third tier markets are larger Service Areas than many would expect such as Elmira, NY, with 85,322 residents as the 367th largest MSA out of 382 included in the Federal statistics. Many of the other MSA's that are ranked 250-382 (the last ranked MSA) are in markets where there are multiple suburban or rural counties that add to the Service Area. Therefore the location of a site between Corning and Elmira, NY, had approximately 80,000 residents in the Service Area. Nonetheless, we would still consider this market a smaller, third tier market.

Again, with most development in major in second tier markets in the last five years I (and others) have called the second boom in senior living growth, a high percentage of third tier markets let alone tertiary markets will still have AL/MC need unlike most major markets. While there is clearly a demand for AL/MC in many third tier and tertiary markets throughout the United States, there is also a demand for SH and senior living projects for lower income to middle income residents in many markets. We consider markets with less than 50,000 residents within a service area as tertiary markets -- one step down from what we refer to as a third tier market.

Independent Living is less need driven than AL/MC, and hence, in a bad economy like the Great Recession, IL occupancy took more of a hit than AL/MC. This was much more so in middle income markets, but less in best of class locations or markets. Plus, this was well before the wave of boomers wanting active adult to senior housing to independent living redefined. Hence, my

Company’s focus is best of class or upper middle income targeted independent living with flexible yet optional dining and services.

Blurring the Lines of Independent Living

Various definitions of Independent Living tend to be used by developers, operators, marketers and others, as IL is an unregulated and therefore less standardized senior living option. SC typically defines IL as a senior living community providing residents with at least two meals per day, and housekeeping and laundry provided at least biweekly, as part of room rates.

However, with more and more frequency, the distinction between IL and Senior Housing (SH), which provides few or no services, is blurred from an operator marketing perspective and sometimes in the facilities themselves. For example, in some communities seniors can purchase meals, as well as housekeeping and laundry services, on an optional basis. SC looks closely at how facilities define themselves as IL. Should a facility have a commercial kitchen, and should residents have the option of purchasing an amenities and services package with a minimum of two (and ideally three) restaurant meals per day, as well as housekeeping and laundry services included in a resident’s rent, SC considers this community to be an IL competitor to communities that provide those services under SC’s strict definition,.

SC occasionally comes across an SH facility that lacks a commercial kitchen on-site and contracts with a food service company to have meals delivered to residents. Two such facilities in the greater Kansas City are The Gardens at Jackson Creek, in Independence; and Bloom Living–Olathe, near Overland Park. Depending on the provision of additional services besides delivered meals, and the proximity of the facility to the center point of the Service Area, SC typically regards the facility as a hybrid IL/SH, and counts 50% of its capacity.

Senior living communities that include IL, AL and MC options on a single campus often additionally have one or more types of Senior Housing, such as multi-story buildings or villas that are offered either as single units (detached dwellings), or duplexes and/or quads (attached dwellings). In some respects, these communities may resemble or emulate Continuing Care Retirement Communities (CCRCs). On the one hand, the CCRC model that requires upfront payment of a six figure entrance fee in exchange for a guarantee of the availability of more intensive levels of services—particularly health care services as the resident’s functioning declines—is popular in some cities and markets.

On the other hand, the CCRC model’s growth has stagnated compared to rental senior living development and growth in the last ten years. Many seniors and their adult working children have come to realize that a rental model instead of the CCRC entry fee model usually makes better financial sense, and the healthcare options that enable a resident to age in place can be provided in both types of communities.

IL/AL/MC or IL facilities with active roles of on-site home health agency(ies) are also CCRCs that enable residents to age in place by providing the same amenities, services and ambiance found in a CCRC. In comparison to an AL only or AL/MC facility, larger IL/AL/MC or IL only communities are likely to have more staff and can offer a more extensive array of resident programs and services, such as an on-site child care center for employees. Some programs, such as a child care center that can be run either by the community or a third party provider, promote employee retention for working moms and can also be open to the public. These programs can also provide ancillary benefits; for example, an on-site child care center that offers intergenerational activities promoting interaction between children and seniors can benefit both groups.

Best of Class Communities – The Trend and the Need

Best of Class facilities and even those a step down are primarily developed in the higher income zip codes or suburbs of major metro markets, our focus as developers. As such, in our market studies for Independent Living, we still determine a total Independent Living Penetration Rate in a defined custom Service Area that is never a circle but based on travel times and many other factors, two other Penetration Rates. First we determine the Best of Class facilities(if any) that have larger units with expanded services and common areas, concierge services and targeting affluent to upper income residents and rank those as a 5 on a scale of 1 to 5. Facilities that rank a 4 are above average and target upper middle income residents. As an example, a newer IL facility in a major metro facility visited recently had much larger units, full size laundry rooms and granite counter tops with upscale cabinets in resident units, but did not have extended concierge services, expanded common areas and service offerings to quality as best of class.

We then rank all other facilities from older, lower rate lower middle income to somewhat middle income targeted facilities with less common areas as 1 to nicely appointed relatively newer facilities targeting middle to upper middle income facilities such as the majority if not close to all Hawthorn Senior Living facilities that are a 3. Many growing chains will adjust their design, finishes and scope of amenities to suit the market. Spectrum is an example of smart growth tied to market by market consideration in their IL/AL/MC modeling, where some newer facilities are a 4 while most a very solid 3.

In completing our penetration rates, we now look at a rate for facilities ranked 1 thru 3 AND separately those are a 4 or 5. If a Service Area has higher population and density of income and age eligible residents and we therefore assume a four percent penetration rate only, we will also assume 2% for facilities that are a 1 thru 3 and 2% for those Best of Class of step down. When we get to our conclusions to developing a true best of class facility, we are more framed by that particular penetration rate.

There are many different factors at a market, let alone in comparing communities, with IL different than AL/MC in many respects, primarily what age groups what are targeted as AL/MC residents average 86 year old on admission and IL is 80-81 years old. Best of Class communities with larger units and a much broader service and amenity package, with fine dining (and to a lesser degree housekeeping/other) that is more flexible or optional are crossing over somewhat into senior housing, and hence attracting a much healthier resident on average closer to 75 years old on average.

In conducting mystery shopping (on site and separate phone calls), we closely look at these existing expectations and trends in ranking a facility as part of development consideration:

- Exercise Facilities – A large fitness center with state-of-the-art equipment tailored to seniors, with personalized training programs tailored to the resident, as well as optional one-on-one training are becoming larger and more extensive in their offerings.
- Spas – Offer various face and body treatments (including services for hands and feet) and are appointed much like typical upscale spas in upscale residential suburban neighborhoods. Geriatric massage therapy is tailored to the needs of the older population, typically light application of massage techniques and can include passive stretching. Benefits include enhanced blood circulation, lessening depression symptoms, improved balance and flexibility, reduced pain from arthritis and other ailments, better joint mobility and posture, and support overall well-being.
- Pools – A typical luxury senior housing facility will have a lap pool or an exercise pool, as well as locker rooms in close proximity to whirlpools and saunas. In rare Best of Class senior communities, there will full site pools with a larger shallow area for exercises and a lap pool or both.
- Fine Dining and Fresh Foods – Seniors (and even more so the wave of boomers soon to follow) want locally grown fresh and organic foods. Seniors now want far more than a few dinner choices. They prefer a four star restaurant type dining experience, with several daily specials and an extended regular menu. Larger, more upscale communities will offer a bistro, pub and one or two restaurants.
- Walkability – SH and IL residents are healthier and will continue to be so as the boomers continue to age. They not only expect great on-site exercise facilities, but also access to trails or parks, as well as shopping and restaurants
- You’re Neighborhood – Baby boomers to millennials patronize supermarkets specializing in in prepared foods and expanded healthy/organic foods, such as Whole Foods or Wegmans, which was founded as the Rochester Fruit and Vegetable Company, who have prospered at acceptable higher price points. This type of market located close to a facility would be a bonus, with nearby restaurants, cafés, shopping and conveniences more of an expectation for many seniors.
- Technology Lounges and Conference Rooms – Large screen televisions and video teleconferencing resources, as well as other tech features, appeal to those that are still active in business and investments and connecting with children and grandchildren in other parts of the country. A staff member can support its use based on advance booking at 30 minute intervals. This area can also be used by various committees within the community and for smaller groups participating in Lifelong Learning Programs.
- Sustainable Construction – The professionals that typically are residents of luxury communities such as retired professors, lawyers and doctors, prefer a “green” design and construction of a new project like building certifications that include LEED-certified building construction or a variety of sustainable building design features.

Concierge Services

Much like the blurring definition of IL, concierge and concierge services are becoming buzz words or more of a marketing tool rather than true upscale concierge services as implied. The definition of concierge according to Merriam Webster is "usually a multi-lingual staff member who handles luggage and mail, makes reservations and arranges tours; *broadly*: a person employed (as by a business) to make arrangements or run errands." True, luxurious senior living facilities that offer a package of what may be referred to as "upscale concierge services" go well beyond Webster's definition. One example is Brandywine Senior Living at Voorhees, Voorhees, NJ, a facility less than five years old. The dark, richly finished lobby and much more expensive furnishings and decorations of a typical facility remind guests of a visit to a Four Seasons or Ritz-Carlton hotel. That entry sets the table for a much more upscale community overall, what we refer to as a true concierge unit. The AL rates at that facility are already higher than typical, ranging from $202-$272/day. The concierge units range from $244 to $304/day and the concierge floor has extra staffing at the residents beck and call. Brandywine goes one appropriate step further in defining their unit, referring to their services as "butler" versus "concierge."

At the other extreme of what operators are calling concierge services, several of the facilities in the Carmel, IN, area are offering concierge services that are defined as "an available nurse's aide or home health aide to assist with errands that may include extra cleaning of a kitchen after a resident cooks in their unit to many other types of services that require not only physical assistance but help with living a busier lifestyle. This can include support in scheduling appointments or sessions in a more upscale exercise/spa facility that may have an exercise or lap pool, or attending a broader range of resident offerings at the community such as a comprehensive LifeLong Learning Program like those offered by Masterpiece Living (www.mymasterpieceliving.com).

SC's definition of an "upscale concierge unit" would not only include optional services provided by staff on an as-needed basis, but be a hybrid of what a facility like Brandywine offers for AL in an IL environment. This would include a separate floor(s) or wing(s) where the floor(s) or wing(s) – much like a concierge level at some upscale hotels – would have additional common areas, potentially offer a hors d'oeuvres and cocktail hour and have a higher concentration of common areas than the rest of overall community.

Another emerging trend we are seeing in a design comparable to the above is smaller apartments and kitchens on the concierge unit with the added common area space to look more like a neighborhood in an upscale AL community that may include a larger common kitchen with marble countertops that could adjoin a wellness office staffed by a home health agency from 6am to midnight and sometimes 24/7. In a sense, having 24/7 access to an on-site home health agency staff is not only a trend in IL, but by extension crosses over into the definition of concierge-type services.

A key to success is development of housing that both meets the expectations of the boomers who will be entering the senior living market and the current generation of upper middle income to affluent seniors who place a premium on hospitality and look for top shelf amenities and service packages.

The Growing Influence of Adult Children

When it comes to senior living placement, particularly into AL/MC with an average of 85-86 year old residents, the majority of the "adult children" are boomers who are already contemplating where they fit in the SH, senior living and long term care equation. In an IL facility the average resident age is 80-81, although newer, BOC facilities with optional services like dining, can have younger populations on average. Hence, a BOC SH and/or IL facility have residents who are only a few years older than the boomer generation. The boomer generation is defined as those born post World War II to 1964.

Boomers in particular, but also higher and higher percentages of the "Silent Generation" who preceded them, are becoming tech savvy. In today's society we have many more consumer choices available even in a shrinking brick and mortar world. One notable example is the growth of fresh, market prepared food focused supermarkets like Whole Foods or Wegmans. These types of markets offer double to triple the choices of what was available to us even just a generation ago. This extends a step further into the dining experience and offerings at an upper middle income targeted SH or IL project, let alone in a BOC project.

Adult children have become more and more involved as the decision makers. Hence, when considering markets for development of SH or senior living to a somewhat lesser degree, the influence of the adult children in that market is an important consideration. In some markets it becomes the predominant consideration as evidenced by some studies we completed in growing parts of Florida or Hilton Head, SC, near the very large Dell Web® community, Sun City, with over 10,000 Active Adult homes. In the fast growing Sun Belt and Southwest markets, adult children and boomers alike are much more inclined to bring parents and relatives from further distances to be close by in much higher percentages.

In some cases we find markets further north that fit within the same paradigm. To a certain degree this is true for the northern Indianapolis area where the four northernmost suburbs of Indianapolis (Fishers, Carmel, Noblesville and Westfield) have collectively grown from 35,119 residents in 1980 to an estimated 271,625 residents in 2015. This area is a destination market for greater Indianapolis with much of the development in walkable neighborhoods with multi-story structures close to restaurants that attracts millennials and baby boomers alike. The continuing substantial growth alone lends itself to having higher percentages of adult children and baby boomers, let alone higher percentages of upper middle income adult children and/or potential residents.

Multi-Family Developers Moving in to Senior Housing

For decades more senior living developers and operators have come from skilled care versus any other asset class. Nonetheless, over a similar timeframe many Multi-Family developers have segued into senior housing or senior living development. My company has worked with over 15 local Multi-family developers who moved into senior living. A notable example is Brom Builders, a company located in Waterford, CT. They had developed residential and Multi-Family properties before taking a big leap forward in developing Mystic Senior Living with SC's comprehensive across the board support. Mystic Senior Living is a 179 unit IL/AL/MC community operated by the Connecticut Masons.

Larger, regional Multi-Family developers, as well as those with a national presence, have also moved into senior living and/or SH. While there has been the boom in growth in AL and MC facilities in particular over the last 5-6 years, the overwhelming majority of that growth has been by operators and their partners in the business, with limited investment coming from Multi-Family (or in some cases student housing or both) into SH. There are substantial exceptions, with some examples of multifamily companies of substance moving into senior housing over the last five years below:

- Greystar Real Estate Partners, LLC, was ranked 19th in 2017 as per MHHC with over 44,000 apartments. Greystar has moved at a faster pace in their entry into SH with their

Overture model. Their SH model markets itself as having "a boutique-hotel feel to apartment living tailored to active adults who are 55 years and up" and sometimes 62 and over – more of a vertical Active Adult model an Independent Living. Nonetheless, some of their newer their purpose-built projects are built to accommodate aging in place to a certain degree, including the potential for adding a commercial kitchen in some cases. Greystar has been one of more aggressive senior housing builders in urban or high density suburban locations with 32 existing and pending communities, including 13 in TX, 4 in NV and 15 more in 9 other states. Again, they are SH focused.

- CA Ventures is a Chicago-based developer who developed an extensive portfolio of Multi-Family and student housing before entering the senior living (IL, AL and MC) from the Multi-Family side with a handful of properties developed within the last few years and at least 15-20 in the queue.

- Alliance Residential Company owned over 24,000 apartments and managed a $15 billion portfolio in 2017. They entered the Senior Housing Market with two directives. First, they are developing West Coast opportunities for AL and MC only in the more typical senior living modelling versus IL/AL/MC (or Independent Living only for that matter). In addition to this platform, Alliance is proceeding with a similar SH/Independent Living hybrid that is similar to West Star Properties (another well respected, nationwide Multi-Family developer). These projects are developed as Senior Housing in they do not have a commercial kitchen, dining room, meal package or other included services such as laundry or housekeeping that is typical of Independent Living. However, these projects usually have on-site bistros or restaurants with some facilities going so far as to rough plumb a commercial kitchen and allotting space for an adjoining formal dining room when constructing the building.

- Edward Rose Building Enterprise is NMHC's 2017's 6th largest apartment owner and managed 60,000 units in 2016. They are another major Multi-Family owner/developer making the move into Senior Housing Development. They recently opened their second IL/AL/MC senior living community that is integrated into a larger development where they are constructing several hundred apartments in Carmel, IN. The company plans on expanding their presence in senior living.

We are aware of many other companies seguing from other asset classes – mixed use and/or Multi-Family – who are now entering into the Senior Housing or senior living markets. This includes several companies where we are in active discussions to consider co-venturing as part of a platform within mutually agreeable markets.

Multi-Family Developer Opportunity in the Next 5-10 Years

While some of the larger Multi-Family developers are seguing into Senior Housing and/or Independent Living, with rare exception they are doing so at a slow pace versus the demonstrated current demand, let alone the increasing demand as boomers continue to age. Multi-Family developers, from luxury apartments to affordable housing, let alone larger or more substantial developers in different asset classes, are very often fully integrated platforms unto themselves that includes all or most of the following areas.

- In-house engineering and entitlement teams.
- In-house architectural or existing relationships with architectural firms.
- Function in a design/build capacity. i.e., construction manager, GC or builder.
- Operate and/or manage completed projects.
- Stakeholder or as a limited partner or sometimes managing partner of substance depending on project investment.

Our discussions with dozens of Multi-Family developers and many of those who provide integrated platforms have discovered hurdles to seize the SH market opportunity is as follows:

- Utilizing the right market analysis approaches and teams.
- Understanding the details and nuances of the Senior Housing marketplace, market by market and project by project.
- Experienced team in all aspects of Senior Housing Development.
- Insufficient dedicated capital and/or man power resources to venture into senior living sometimes based on the assumption that Senior Housing design and operational modelling can be easily and quickly applied from one market to another or one site to another. Senior living projects, particularly Best of Class Senior Living projects or even one step down very much need more tweaks and variances in design, amenities and offerings based on that market by market consideration.

Our Company's Approach and 2018 Planning

SC's broad and diverse team has provided many Multi-Family developers, builders and other types of business and professionals a crash course in senior living development. Again, we will not get involved in a development capacity unless we conduct our own Market Analysis where I personally mystery shop all competitors, as have to buy in. This enables us to be sure that the market and site is carefully selected as we balance the literally dozens of nuances important to operators and future residents before moving forward on an aggressive entitlement path.

We understand the benefits of Senior Housing in a market, but also benefits to the community and to the various town boards and politicians (from the Mayor on down) who want to see quality projects in their communities that meet and address needs, but also do not have an impact on the school system. In addition, we get very involved early on in the process by sponsoring programs within the community. This includes Intergeneration and LifeLong Learning Programs offered in community centers operated by the town or by churches. A fully integrated, senior living project should be part of the community, with the added value as a developer of walking the walk by giving to the community very early on. We expect operating or capital partners to embrace life long learning and healthy aging programs such as those offered by Masterpeice Senior Living https://mymasterpieceliving.com/.

One of our company's goals is to establish regional platforms with Multi-Family developers of substance that includes a Midwest platform in Ohio, Indiana, Illinois, Missouri and Michigan, and a Southeast platform in Maryland, Virginia, North Carolina and potentially Georgia or portions thereof. SC clearly understands the value of a Multi-Family developer of substance that offers a vertical or integrated platform as described above and has existing relationships with investors of substance such as pension funds or other institutional type of equity to roll out a platform on a fairly aggressive basis. Therefore, we seek partners in both the Midwest and Southeast who can, with our integrated support, proceed with at least 3-4 projects of 160-200 or more units in each region in the next five years.

Conclusion

There is still a substantial need for new senior housing development nationwide, from affordable to moderate models to third tier market Assisted Living and Memory Care development to new type(s) of Independent Living in major or second tier markets.

The key question (s) many in the industry will ask, is what operator/development/capital stack combinations will seize the day in smart market by market and site by site systematic growth?

Tim Cassidy, CEO
Senior Consulting, LLC