Sales Prices: An Update

The average price per unit paid for seniors’ housing facilities (including both independent and assisted living) in 2005 increased nearly 70% to $145,700. The average price for an assisted living unit was $140,300, while the average price for an independent living unit more than doubled to $150,500. On the other side of the continuum, the average price paid for a skilled nursing facility bed in 2005 dropped by 3% to $43,250.

Number of Units Built

Between 1997 and 1999, an average of approximately 54,000 units per year of seniors’ housing were produced. From 2000 to 2005, this number had a noticeable drop to approximately 30,000 units per year.

Senior Living Progresses Through Its Life Cycle

According to the NIC Insider Newsletter (2/27/06), industry leaders provided some insights into some of the new market-driven product and pricing strategies they are implementing. Examples include:

1. New living unit designs are changing as today’s (and tomorrow’s) consumer is looking for moderately larger living units. In the past five years, assisted living units have made the transition from 350 s.f. studios to modest sized one-bedroom units of approximately 450 s.f. to 550 s.f. In the past, independent living one-bedroom units had approximately 650 s.f. of livable area and two-bedroom units were in the range of 900 s.f. Now these living areas are creeping upwards by at least 100 s.f. to 150 s.f. Room designs are being optimized with amenities such as walk-in closets and more elaborate master baths.

2. Senior apartments are a relatively new product that is responding to the "I’m not ready yet" sales objection. They look a lot like independent living, except they do not offer an extensive mandatory service package such as meals and housekeeping. The public spaces are well appointed, but on a smaller scale. This product has captured more than a 25% share of new construction while offering both low/moderate income and market rate pricing models.

3. Condominiums offer yet another shift in the senior living product life cycle. Properly conceived, fee simple sales of living units can offer a seamless conversion of
significant pent-up home equity. Two innovative models are:

a) Full service condominiums offering extensive services and a full continuum of living arrangements. The condos are owned fee simple by the residents while the health related and other service components are owned by a third party investor or the owner/operator.

b) Condominiums with a resident services component (dining, etc.) but which do not offer on-campus assisted living, dementia care or nursing. These types of services can be accessed through facilitated home care. Condos offer seniors hassle-free ownership and maintenance along with the potential for future appreciation in value.

4. CCRCs requiring up-front entry fees are escalating in price. Owner operators are increasing the level of entry fee refundability upon resident death or move-out in response to changing consumer choice and psychographics.

More Trends In Independent Seniors’ Housing (from Del Webb)

• Today’s prospective new resident is absolutely healthier, more active, might work part-time, and has very high expectations for their retirement years.
• The real estate component is more important—better apartments and better amenities.
• It’s not bingo…but more physical activities, intellectually challenging opportunities, and events outside the community.
• Advertising and collateral needs to present younger, more active people.
• Operators need to re-examine their programming.

Trends In Space Considerations
IN: Fitness Center; Pool; Spa; Theater; Multiple Dining Rooms
OUT: Bank; Pool Table; Single Dining Room; Auditorium

Can Seniors Afford Seniors’ Housing?

80% of U.S. seniors own their own homes. 75% of those elderly own their homes free and clear with no mortgage. Therefore, 60% of U.S. seniors own their homes free and clear with no mortgage. With home ownership at record levels (70%) and homes still representing the greatest investment for most seniors, it is logical to assume that more and more seniors will be able to afford the various seniors’ housing options.

Both Sides of the Pond

The U.S. population over age 65 = 12.4%
The U.K. population over age 65 = 15.6%
The E.U. population over age 65 = 16.5%
By 2031, 23% of the U.K. population will be over 65.

What Other Experts are Saying

“The year 2005 will go down in senior care market history if not as the most memorable, then certainly as the most bountiful. Across the board, many records were set in the 2005 seniors housing acquisition market, which includes both assisted and independent living facilities, as investors rushed into this market sector and owners capitalized on a unique set of circumstances to cash out at the highest prices ever paid.”

- Stephen M. Monroe, Editor, The SeniorCare Investor

“It’s analogous to the hotel business of 20 or 25 years ago. The large companies came in and started to roll up the industry, and in many ways that’s where we are in the senior-living sector now.”

- Mark Schulte, CEO, Brookdale Senior Living

“We’ll see more focus on ownership models like condos and co-ops because over 70 percent of people 65 and up are used to home ownership, not to paying rent.”

- Mel Gamzon, President, Senior Housing Investment Advisors

“The over-85 year old population is the fastest growing segment of our population, and 50 percent of the ‘oldest old’ need assistance in daily functioning. No politician is speaking out about this.”

- Peter J. Strauss, Chairman, Elder Care Task Force, N.Y. Business Group on Health

“Terrorism is not going away and presents a real risk to the hotel and office sectors. Senior housing should be a safe haven from this risk.”

- James Fitzgerald, SVP, HSH Nordbank

“If you don’t know where you’re going, you’ll end up somewhere else.”

- Yogi Berra