RHarper Consulting Update

Roger Harper, Principal of RHarper Consulting Group, provides development consulting services to the senior housing industry.

For more information on RHarper Consulting Group please call 615-218-4102 Or rharper@rharperconsulting.com

Stabilized Senior Housing – The Great Myth

In my twenty-five years of experience in developing and operating senior housing, one of the greatest myths in the industry has been that of a stabilized community. Our industry generally defines a stabilized community as reaching 95% occupancy and maintaining that level of occupancy for a period of at least one year. Often, our capital and operating budgets reflect achieving this milestone by dramatically reducing our projected costs for occupancy development to a "maintenance" level.

While a CCRC or assisted living community may achieve the goal of full occupancy, the community is not stable - it is in dynamic equilibrium. Due to the forces of aging-in-place, our resident populations are not "stable," they are a perishing inventory. As residents age in place, there is a corresponding increase in required services resulting in increased operating costs. More significantly, project positioning and the culture of our communities is impacted unless the resident population is consistently refreshed with younger residents. Let's look at some examples:

> **The "stable" CCRC** – When I began working in the senior housing industry, the average independent living resident in a CCRC was around 75 years of age. Typically, residents were active, ambulatory, and enjoyed an active lifestyle. Today, the average age of residents in CCRCs is approximately 83 years of age. This is due primarily to the proliferation of CCRCs during the past twenty-five years, and the acceptance of congregate living for seniors as an accepted and desirable lifestyle. These resident populations have aged in place; residents who leave the communities are replaced, not by younger residents, but by new residents closer to the current average in the community. Upon visiting the community, the younger, more active prospect has a strong feeling they are "not ready" for the community.
>
> This trend is accelerated as economic pressures lead CCRC operators to admit older, less active residents, making the community less attractive to younger, more active prospects. And, if a CCRC does not have a full continuum of care, the age of the resident population continues to rise over time. We are seeing many communities today with aver-

We are seeing many communities today with average ages in the 85 – 88 years range. A community with an average age this high generally has a head-on collision with the actuarial tables, and turnover skyrockets. Replacing these residents with younger, more vibrant residents is very challenging.

This increasingly more common situation has driven the repositioning of many projects in the senior housing market over the past decade. The more astute operators have recognized and reacted to this trend by revitalizing their campuses, appropriately transitioning their residents through the continuum, and moving the average age of their residents in independent living downward.

The "stable" assisted living community – The trend above is even more pronounced in assisted living, and is practically immediate given assisted living's targeted resident profile Assisted living also falls victim to another great myth – "need driven" demand. The AL industry saw a tremendous erosion of occupancy during the recession. Seniors still needed AL, but many prospects and their families simply could not afford the cost, and delayed the decision until the only alternative was skilled nursing or other means of service and care delivery.

The average length of stay in assisted living is typically 18 months. If you operate an AL facility of 60 units, this means, at stabilization, your monthly turnover will be four units per month, or at least one unit per week. This velocity of new residents is typically what new communities experience during lease-up. In effect, the typical AL community is in a perpetual lease-up situation.

With that in mind, consider this as you move forward iin today's challenging marketplace: your community may have reached its occupancy target, but you can never assume that it is "stable" and take your market position for granted.

For more information please contact:
Roger Harper
615-218-4102
rharper@rharperconsulting.com
www.rharperconsulting.com

RHarper Consulting Group provides development consulting, program management, and owner representation services focused on the senior living and mixed use sectors. In addition, Mr. Harper is also a listed mediator and arbitrator providing dispute resolution services for the construction and real estate industries.