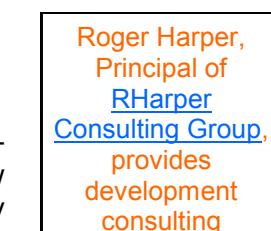




RHarper Consulting Update

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Three Emerging Growth Trends in Senior Housing

While the last few years have been tremendously challenging, most sponsors of senior housing have found the “new normal.” More importantly, these sponsors have positively impacted their bottom lines as they have become more efficient in their operations, experienced more stable workforces, and availed themselves of lower interest rates by refinancing their existing debt.

Roger Harper, Principal of [RHarper Consulting Group](#), provides development consulting services to the senior housing industry.

As a result of these positive trends, many groups are now feeling more confident about reviving their growth plans. These plans have evolved to reflect the realities of today's economic environment by reducing scale, finding new sources of revenue to support growth, and reducing leverage on new transactions.

Three trends have clearly emerged:

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Repositioning is Critical and Continuous— Regardless of the product type – Continuing Care Retirement Community, Independent Living, Assisted Living, Skilled Nursing, or Dementia Care - keeping your community positioned as a “top of mind” communities in your market is vital to survival. Your prospects have more choices at more competitive rates than at any time in the history of our industry. Letting your competition surpass you in programs, facilities, quality, or pricing is management malpractice. Even if you can't do everything, implement what you can and phase the improvements based upon further capital availability. For many, repositioning is now a series of smaller projects spread over several years rather than one major project.

Growth by Acquisition—The bar for new “greenfield” projects is set so high that it is essentially out of reach for most current sponsors. Further, the planning, financing, and construction timelines are so lengthy that they increase risk to an unacceptable level. Many sponsors are now turning toward acquisition of competing or complementary facilities in their strategic areas of growth. While the acquisition market no longer has any “fire sale” bargains, sellers are still motivated and sponsors' ability to leverage their existing operations make acquisitions a much more reasonable alternative for strategic growth.

Open new revenue venues—Sponsors are finding their most effective and successful opportunities where they can open new sources of revenue or enhance existing sources; for example, CCRC operators are acquiring or starting home health agencies, nursing homes are finding ways to increase their Medicare revenue and decrease their Medicaid dependence, and assisted living communities are implementing greater use of levels of care. Additional revenue sources, particularly where existing management resources are leveraged to spread administrative overhead across a larger revenue base, have a dramatic effect on net operating margin for your community.

There are certainly other emerging trends in the senior housing industry and, as the cost of capital remains at historic lows, the more astute and experienced sponsors are seeing unprecedented opportunities to grow their projects and position themselves to emerge from the recession as the dominant providers in their markets. If you wait for better times, you will be left behind. **IF** those better times ever come - your competition will have too great a head start. Identify opportunities which you can act on now, and move while the cost of capital and new properties remains low.

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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