

50+ BUILDER

PRINT & DIGITAL  Summer 2009

50PlusBuilder.com



NAHB 50+ HOUSING AWARDS • 2009 SOURCEBOOK

MY PERSPECTIVE ON 50+ HOUSING

By Annie Gerard, CRE, CAASH

Despite the residential and financial fallout, the 50+ housing industry is actively re-positioning and advancing. Many in this vibrant, growing field are developing new mindsets (not just new “toolboxes”) to adapt to the changing marketplace rather than simply trying to wait it out.

ENDINGS BRING NEW BEGINNINGS

As Sunrise Senior Living restructures in the effort to fend off bankruptcy, offshoots are taking the company’s talent in new directions. The former Sunrise executives who launched Davos Development Senior Living Group in March 2009 estimate that, while at Sunrise, they built “one out of every three” Assisted Living [AL] units constructed in the U.S. and Canada during the past five years. Davos will develop projects ranging from age-restricted apartments to dementia care, at varying price points.

Similarly, respected market rate senior apartment developer FountainGlen Properties has announced its closure – like Sunrise, victim of the broken financial market. Several of the firm’s accomplished development, construction, marketing and operations people have already formed new entities to capitalize on expertise acquired developing 12

properties (2,650 units) since 1997.

EXPECT OTHER NEW PLAYERS

Interest in 50+ housing is surging, certainly as measured by attendance at meetings of the 50+ Housing Council of Southern California, the oldest and largest of the 16 local chapters in the U.S. The council is drawing the biggest crowds in its 19-year history, with monthly attendance consistently at 100 to 150. The council recently capitalized on the heightened exposure by inaugurating its “Smart Choice” awards, showcasing products that are “innovative, green, sustainable and/or relating to Universal Design.” The 10 winners were unveiled at the April 2009 meeting and featured in demonstration projects by design teams the following month. (Visit www.50PlusHC.com for more.)

NEW PROJECTS ARE OPENING OR ARE IN THE WORKS

Search online for “grand openings” of 50+ housing developments – whether senior apartments, AL, condos or active adult – and you’ll find a plethora of activity covering the entire spectrum. Some are niche-oriented (Nikkei Gardens, targeting Japanese-American seniors in Southern California; Bellevue Manor, a GLBT residence in Boston). Some are pioneering (Visiting Nurse Association’s affordable AL in Somerville, MA) or distinctive (conversion of a former Dominican convent in Grand Rapids, MI). Some are well-executed developments designed to attract working and retired Boomers despite the sagging housing market (The Villas at Scenic River in Bakersfield, CA) or to provide supportive services (Kisco’s Valencia Terrace in Corona, CA; The Cascades Verdae in South Carolina). Sales and leasing performance in some sectors of the 50+ housing industry and in some geographical regions is better than the litany of bad news might suggest.

Sue Farrow, president of Integral Senior Living, reports they’ve collected 30 percent pre-deposits on The Vistas at Longmont in Colorado, to open August 2009. Built by a local developer and financed by a local regional bank – a model for other development, she suggests – this IL/AL/Alzheimers community is benefitting from pent-up demand, which Farrow believes is intensifying in many markets. Occupancy among the 34-property portfolio managed by her Carlsbad, CA-based firm is up 3.9 percent since the





beginning of the year. The firm has 12 communities now in pre-development, many chasing financing through the revamped HUD 232 LEAN underwriting program.

GL Homes sold 38 homes in three weeks in its newest “Valencia” age-qualified community in Florida. Their marketing people contend that some active-adult buyers “might downsize their dream a bit, or put it off for a while, but they won’t wait long to start this phase of their lives.” Other builders report that older homeowners are becoming more realistic (i.e., resigned) about the downturn in property values.

NEW MARKET REALITY IS INSPIRING NEW MARKETING TACTICS

“So-so” sales, marketing and management no longer cuts it. While price concessions remain prevalent, they aren’t the only motivator. Effective techniques to incentivize move-ins include offering moving services & holding home-selling expos (Erickson Retirement Communities, which reports 500 sales at their 19 communities year to date); offering free upgrades and golf memberships (Jim Chapman Communities); waiving move-in costs or switching to SureDeposit, etc.

Even low-income tax credit senior apartments – long considered recession proof – are vulnerable. Vacancy has risen as seniors have moved back in with their children, doubled up or simply stayed put in their current residence. Senior LIHTC staff may need to ramp up Internet marketing & drive-by signage, stay open on weekends, and use other proven tools to fill units.

Sue Farrow notes that IL and AL operators need to consider how the higher acuity (frailty) characterizing new residents impacts turnover and operations. It’s a “good news/bad news” scenario: higher acuity drives up revenue per resident, while at the same time, it shortens the average length of stay. Smart owners and operators are programming accordingly.

There’s no question that today’s 50+ housing market is challenging, but the fresh vision prompted by adversity will ultimately benefit the entire industry.

5+



Annie Gerard, CRE, CAASH, is a principal with Orange County, CA-based Apt Market Research, a consulting firm providing apartment market feasibility, with senior apartments a major area of specialization. She is a founding director of the 50+ Housing Council of Southern California. She may be reached at agerard@apartmentresearch.com

FAST FACTS

Persons reaching age 65 have an average life expectancy of an additional 19 years (20 years for females and 17 years for males). [A Profile of Older Americans: 2008]

Half (49 percent) of women age 75+ live alone. [A Profile of Older Americans: 2008]

Of the 2.9 million U.S. households headed by a 65+ householder in the year 2007, 80 percent were owners and 20 percent were renters. [A Profile of Older Americans: 2008]

As of 2007, the median construction year for 65+ homeowners was 1969. Two-thirds (68 percent) of older homeowners in 2007 owned their homes free and clear. [A Profile of Older Americans: 2008]

In 2007, 16 percent of Americans age 65 and over were in the labor force (working or actively seeking work). [A Profile of Older Americans: 2008]

In 2007, 19 percent of persons 65+ were minorities: 8 percent were African-Americans, 3 percent Asian or Pacific Islander, and less than 1 percent American Indian or Native Alaskan. Persons of Hispanic origin (who may be of any race) represented 7 percent of the older population. [A Profile of Older Americans: 2008]

In 2007, about half (52 percent) of all persons 65+ lived in nine states. California was #1, with 4 million, followed by Florida (3.1 million), New York (2.5 million) and Texas (2.4 million). [A Profile of Older Americans: 2008]

The term “NORC” for “naturally occurring retirement community” dates back to the mid 1980s. Several states (Illinois, New York) now use it as an official designation.