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REAL ESTATE QUARTERLY

Senior housing now offers variety of lifestyle choices

Today's seniors are wealthier, healthier, more active and better educated than previous generations. They're also pushing retirement ages into the late 70s and early 80s.

According to the U.S. Bureau of Labor Statistics, 35 million baby boomers will be retiring in the next 15 years, with another 23 million retiring in the following decade. Colorado has one of the highest proportions of boomers in the United States.

As a popular retirement destination, Colorado also has many seniors for which to prepare. Many areas in Colorado – including Colorado Springs and Boulder are frequently highlighted as top places to retire. AARP Magazine in 2003 named Fort Collins the “number one best place to reinvent your retirement.”

With increasing demand for senior housing in the Rocky Mountain region, many developers are attempting to understand the changing preferences of seniors and the influence of their adult children.

TYPES OF SENIOR HOUSING

Today's retirement/senior housing options are vast and varied, meeting the needs of a better-educated consumer who demands more flexible and interesting housing options, services, and lifestyle programs to accommodate today's more active and healthy seniors.

The National Investment Council and other leading service providers generally have accepted the following definitions for senior housing:

- Independent living (IL) is typically a rental apartment that includes meals, housekeeping,

transportation, activities, utilities and an emergency call system.

- Assisted living (AL) is the same as IL, with the addition of assistance from the property's staff with activities of daily living (such as dressing and hygiene, etc.).
- Skilled nursing facility (SNF) adds on to AL services with comprehensive medical care for chronic conditions.
- A continuing care retirement community (CCRC) combines the above housing types onto a single campus, and offers everything they do and more. Usually on a large property, a campus offers various services, lifestyle programs, and state-of-the-art amenities.

Most CCRC's involve an entry fee component wherein a new resident pays a significant amount of initial capital to the property owner and receives some percentage (varies from 50 to 90 percent) back when the resident leaves the community.

A residency agreement, generally one of three service contract types, defines the service a resident receives.

“Type A,” commonly referred to as a “life care” contract, guarantees access to services as residents move through the continuum of care. Under this arrangement, in addition to the entry fee, the resident pays a separate monthly service fee (generally from \$1,500 to \$4,000). The entry fee acts as a type of insurance ensuring that the resident will have a home throughout all the levels of care (IL, AL and SNF) and services (activities, housekeeping, health care, etc.). The monthly service fee may adjust to inflation, but ultimately serves as a locked-in rate for the length of the residents stay

“Type B” is a “modified contract” with monthly service fees based on the level of service required.



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continued: Seniors

Existing residents receive preferential treatment for higher levels of care and service. As service and care needs increase, so do the monthly fees.

“Type C” contracts, commonly called “fee for service,” provide residents access to a full continuum of care as in Type A and B, but the resident doesn’t pre-pay for health care services. This contract usually involves a more market-driven approach to the levels of service for which residents pay a la carte, as their needs change.

THE COLORADO MARKETPLACE

Although the CCRC model has many merits, only about 3 percent of seniors prefer this type of housing due to the high cost of entry. Colorado has been slow to accept the traditional entry-fee CCRC, though in the past 20 years, numerous communities have introduced the concept with varying degrees of success.

Colorado’s conservative response to this model has caused many project owners to reposition their campus as a rental product in order to achieve absorption.

Here, most people have a healthy skepticism of for-profit real estate developers who seek a significant portion of their liquid net worth in a single upfront payment to enter a community without title to any real estate. The majority of today’s seniors and their adult children value home ownership, and for many, the family home is the best investment they made during their lifetime. For most seniors, home ownership is the most important aspect of living independently. As a result of some of these preferences, a new concept is emerging called “blended” housing communities. These campus communities offer the qualities of the CCRC without the entry fee, combined with a more flexible approach to services, care, and lifestyle,

in both equity-oriented and rental products. Blended housing communities address four major preferences of seniors in Colorado:

- Retention of real estate equity and appreciation of this asset.
- Quality, affordable rental housing with flexible lease terms in apartments sized for today’s tastes.
- Calibrated support services delivering the appropriate level of service and care in any residential setting.
- Residences designed to accommodate accessible, safe and independent aging.

MEETING TODAY’S NEEDS

The CCRC model brings a great deal of value to the marketplace but simply isn’t affordable for the majority of the population. For the Colorado market, developers are looking to new alternatives such as blended housing to meet the needs of today’s seniors. The seniors want the opportunity for flexibility of home ownership, something fun and purposeful to do with their time, the ability to purchase services and care when needed or desired – and in a residence of their choice.

Nearly 90 percent of seniors aren’t attracted to traditional models of senior housing, including the CCRC. Owners and developers must respect the changing preferences of seniors and create communities that are attractive to the majority of both seniors and their adult children.

DON MACKENZIE, president of MacKenzie House LLC, leads a company with more than 20 years of experience in real estate. He may be reached at 720.482.9044.