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Auble, Jolicoeur & Gentry, Inc.

Independent Valuations for a Variable World

Senior Housing Market

Spokane-Kootenai Real Estate Market Forum

February 27, 2014

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Valbridge Property Advisors | Auble, Jolicoeur and Gentry Inc.



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- ❖ **What is Senior Housing Today?**
- ❖ **What are the Trends in Senior Housing?**
- ❖ **How are these trends influencing new development?**



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- **What is Senior Housing Today?**
- **Active Adult Communities**
- **Senior Apartments**
- **Independent Living Communities**
- **Assisted Living Residences**
- **Skilled Nursing Homes**
- **Continuum of Care Retirement Communities (CCRCs)**
- **American Association of Homes & Services for the Aging (AAHSA); American Health Care Association (AHCA); American Seniors Housing Association (ASHA); Assisted Living Federation of America (ALFA); National Center for Assisted Living (NCAL); and the National Investment Center for the Seniors Housing & Care Industry, Inc. (NIC) have all agreed to these classifications.**



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➤ **Active Adult Communities**

- **For-sale single-family homes, townhomes, cluster homes, mobile homes and condominiums,**
- **No specialized services,**
- **Restricted to adults at least 55 years of age or older,**
- **Amenities may include clubhouse, golf course and recreational spaces.**
- **A secure environment is a common feature**
- **Example: Touchmark at Grapetree**



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➤ **Senior Apartments**

- **Multi-family residential rental properties**
- **Occupancy restricted to adults at least 55 years**
- **Self-contained apartments with full kitchens.**
- **All utilities, maintenance and repairs are typically included**
- **These properties do not have central kitchen facilities and generally do not provide meals to residents.**
- **Many offer community rooms, social activities, and other amenities.**
- **These projects target active seniors who want the social aspects and additional security of a community but do not need or want the higher services or associated cost in Independent Living Communities.**
- **Example: Affinity Homes**



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- **Independent Living Communities:**
 - **Age-restricted multi-family rental properties**
 - **Central dining facilities that provide residents, as part of their monthly fee, access to some or all meals**
 - **Other services may include housekeeping, linen service, transportation, and social and recreational activities.**
 - **Independent Living may be offered in a wing or wings of a property that also offers assisted living in identical units.**
 - **Several Independent Living Communities in the greater Spokane area offer occupancy on a Lifetime Leasehold Estate wherein the resident pays a substantial entry fee and a lower monthly service fee (rent). At the time the resident leaves the facility, some percentage of the “resale” price or of the original entry fee is refunded.**
 - **Example: Rockwood Lane or Broadway Court Estates**



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➤ **Assisted Living Residences:**

- **State regulated rental properties**
- **Same services as independent living communities plus ...**
- **Trained staff provides assistance with activities of daily living (ADLs)**
- **Prices vary based on the needs of each resident.**
 - **Steps are often in \pm \$300 increments**
- **Apartments are typically small and have very limited cooking facilities**
- **Many of these properties include wings or floors dedicated to residents with Alzheimer's or other forms of dementia.**
- **Examples: Emeritus of Coeur d'Alene, Hearthstone in Sandpoint (Kootenai)**



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- **Nursing Homes/Skilled Nursing Facilities**
 - **Licensed and highly regulated facilities serving individuals who require 24-hour nursing and/or medical care.**
 - **Payments are based on a daily rate.**
 - **Most properties are licensed for Medicaid and/or Medicare reimbursement.**
 - **With expanded services offered in Assisted living facilities, skilled nursing facilities have expanded in rehab, head trauma, and other high care areas**



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➤ **CCRCs**

- **Properties include a combination of independent living, assisted living and skilled nursing components all on one campus.**
- **Some also offer homes or “cottages” for active adults.**
- **Resident payment plans vary and include entrance fee, condo/coop and rental programs.**
- **Emphasize “aging in place”**
- **May be profit based or non-profit**
- **Examples: Rockwood in Spokane or Garden Plaza in Post Falls**



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What are the Trends in Senior Housing?

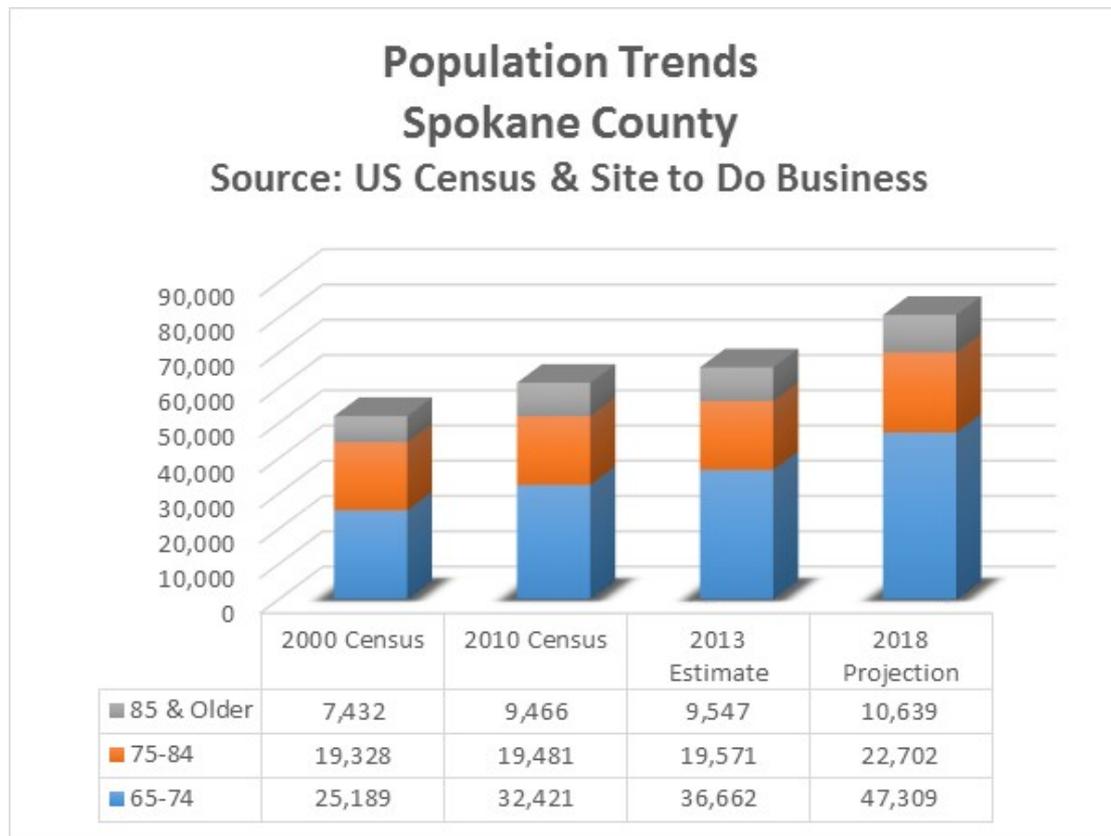
- **Demographics**
 - (Here come the Baby Boomers)
- **80 is the new 65**
- **Longer Lives and Economic Conditions Might Mean Not Enough Money In the Bank**
- **Smaller is not larger**



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Here come the Baby Boomers!

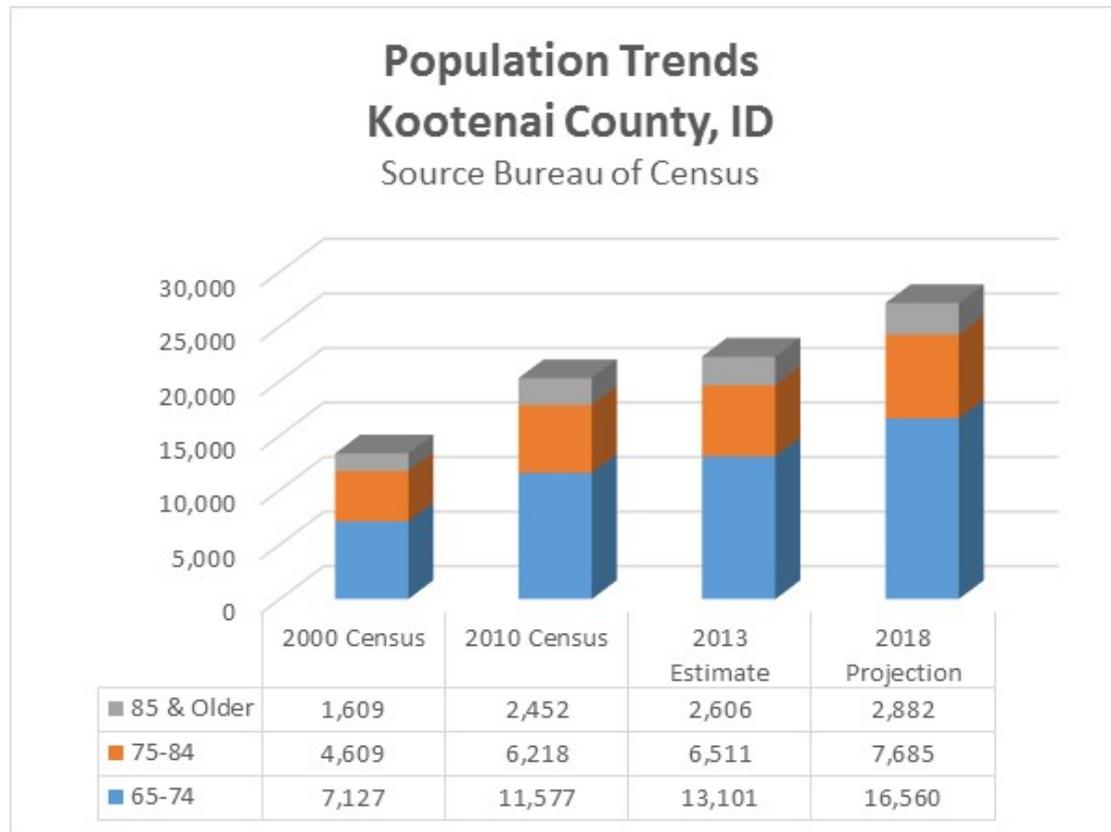




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Here come the Baby Boomers!





Here come the Baby Boomers!

Population Change Rates

Spokane County	65 Yrs & Older	65-74	75-84	85 & Older
Change Rate 2000-10	1.8%/yr	2.9%/yr	0.1%/yr	2.7%/yr
Change Rate 2010-13	2.4%/yr	4.4%/yr	0.2%/yr	0.3%/yr
Change Rate 2013-18	4.5%/yr	5.8%/yr	3.2%/yr	2.3%/yr
Total Change 2013-18	22.6%	29.0%	16.0%	11.4%

Kootenai County	65 Yrs & Older	65-74	75-84	85 & Older
Change Rate 2000-10	5.2%/yr	6.2%/yr	3.5%/yr	5.2%/yr
Change Rate 2010-13	3.2%/yr	4.4%/yr	1.6%/yr	2.1%/yr
Change Rate 2013-18	4.4%/yr	5.3%/yr	3.6%/yr	2.1%/yr
Total Change 2013-18	22.1%	26.4%	18.0%	10.6%



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Here come the Baby Boomers!

- **Growth rate foreshadow significant increased demand.**
- **Particularly true in 75 and Older Segment**
- **Many will have to sell their current home**



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80 is the new 65!

- **Seniors are healthier**
- **In 2009, people reaching age 65 could expect to live an additional 18.8 years (20.0 years for females and 17.3 years for males) – Per 2011 profile of Americans by the Administration on Aging.**
- **Seniors are older when moving into most housing alternatives**
- **Seniors demand more activities including group and independent exercise regimens and healthier (and more costly) diets creating a challenge for providers**



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Longer Lives and Poor Economic Conditions Might Mean Not Enough Money In the Bank.

- **During 2013, the Dow Jones Industrial Index gained 27%, its best performance since 1995.**
- **Many investors have recouped the losses they sustained in the Great Recession.**
- **At one point early baby boomers, born between 1946 and 1955, had a median net worth of \$173,480 in 2010, down about 28% according to a Pew Research study.**
- **Home prices have risen increasing the value of assets that seniors may need to fund retirement.**



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Longer Lives and Poor Economic Conditions Might Mean Not Enough Money In the Bank.

- **Despite improvements, many “Boomers” have not saved enough to fund retirement.**
- **According to the Census Bureau, U.S. households headed by boomers between the ages of 55 and 64 have a median net worth of nearly \$144,000—almost 8% lower than the median net worth of households headed by those aged 75-plus.**
- **With an average cost of \$3,450/month for assisted living, the median net worth of \$144,000 will fund less than 42 months of housing.**



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Smaller is Not Larger

- **Despite trends toward smaller houses, seniors still prefer large or large retirement residences.**
- **True in Independent, Senior Apartments, Independent, and Assisted Living**



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Trends in new development?

- **Very little development has occurred over past five years.**
- **Several notable projects**
 - **Senior Apartments-Affinity at Mill Road, Affinity at South Hill, Affinity Coeur d'Alene**
 - **Independent Apartments – The Summit at Rockwood South**
 - **CCRC-Garden Plaza, Post Falls**
 - **Updates - Riverview Retirement**



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Affinity (Senior Apartments)

- **Three local projects:**
 - **Affinity at South Hill (South Spokane) 150 un. 55+**
 - **Affinity at Mill Road (North Spokane) 150 un. 62+**
 - **Affinity Coeur d'Alene (Coeur d'Alene) 120 un 55+**
 - **Also in Boise, Colorado, Puget Sound, others**
- **Local Developer - Inland Group**
- **Studios, 496 sf, \$1,075/mo., \$2.17/sf**
- **1-bed,/1 bath, 596 sf, \$1,295/mo., \$2.17/sf**
- **2-bed/1 bath, 795 sf, \$1,530/mo., \$1.92/sf**
- **Utilities, wireless internet included**



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Affinity (Senior Apartments)

- **Amenities include:**
- **Movie Theater, Pub and Lounge, Internet Cafe**
- **Pool & Spa, Fitness Center**
- **Woodshop/Workshop, Arts & Crafts**
- **Community Room**
- **Community Garden**
- **Transportation**
- **Started Rent-up August 2012. Now 80% occupied**

Affinity (Senior Apartments)





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Affinity (Senior Apartments)





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The Summit at Rockwood South

- **11 Story tower offering 65 Independent Apartments**
- **Many apartments will have views**
- **High quality finishes**
- **Full kitchens, washers and dryers, and most will have large balconies**
- **1-Bed Units range from 900 sf to 1,237 sf**
- **2-Bed Units range from 1,175 sf to 1,665 sf**
- **2+ - Bed Units range from 1,620 sf to 2,210 sf**
- **Occupancy on Lifetime Leasehold + Monthly Fee or lower entry fee that extinguishes after 50 months**

The Summit at Rockwood South





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The Summit at Rockwood South



The
SUMMIT
Rockwood South Hill

FIRST FLOOR



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Riverview Retirement Community





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Garden Plaza-Post Falls

- **Opened in 2009 (Timing!)**
- **Family Owned**
- **145 Independent Apartments**
- **95 Assisted Living Units**
- **±100 bed Skilled Nursing Facility**
- **High quality, high amenity property**



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Garden Plaza-Post Falls





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SPOKANE, Wash. -- The City of Spokane has been named the top retirement destination by Where to Retire Magazine.

Spokane is one of eight cities profiled in the 8 Havens for College Hoops.

Where to Retire Editor Annette Fuller said the top 8 cities appeal to retirees who enjoy college sports as well as the many other amenities that come with living in a college town.

“Basketball reigns supreme in Spokane, where the students and the community rally behind their beloved Gonzaga University Bulldogs. But beyond the basketball madness is a youthful city, rich with outdoor adventure, cultural events, excellent restaurants and continuing-education opportunities,” Fuller said.

FAST FACTS: Valbridge Property Advisors

- Valbridge is one of the Top 3 national commercial real estate valuation and advisory services firms based on:
 - Total number of MAIs
 - Total number of office locations
 - Total number of staff
- Valbridge covers the U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.

Valuation and Advisory Services for All Types of Property and Land

- **Office**
- **Industrial**
- **Retail**
- **Apartments/multifamily/senior living**
- **Lodging/hospitality/recreational**
- **Other special-purpose properties**

SPECIALTY SERVICES

- Portfolio valuation
- REO/foreclosure evaluation
- Real estate market and feasibility analysis
- Property and lease comparables, including lease review
- Due diligence
- Property tax assessment and appeal-support services
- Valuations and analysis of property under eminent domain proceedings
- Valuations of property for financial reporting, including goodwill impairment, impairment or disposal of long-lived assets, fair value and leasehold valuations
- Valuation of property for insurance, estate planning and trusteeship, including fractional interest valuation for gifting and IRS purposes
- Litigation support, including expert witness testimony
- Business and partnership valuation and advisory services, including partial interests