



Analyzing Markets for Age-Qualified (aka “Senior Housing”) Products

National Council of Housing Market Analysts
National Housing & Rehabilitation Association
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Who We Are

ProMatura Group, LLC

- Established in 1984
- Leading research firm specializing in age 55+ market, particularly in real estate industry
- Market feasibility studies
- Consumer research studies
- Clients ranging from small 30-home developers to master planned communities containing thousands of acres – Del Webb, Rancho Mission Viejo, Centex Resorts
- Have completed assignments in all 50 states, throughout Canada and Mexico, and in numerous other countries
- Partner with organizations such as NIC, ASHA, NAHB, ULI on large-scale research projects
- Headquartered in Oxford, MS (greater Memphis area); additional offices in Tucson, AZ and London, UK

Our process for evaluating a market

- 1) Define the primary market area, and any secondary market areas
 - 5-mile radius vs 10-mile radius
 - Polygon shape – to account for social boundaries (neighborhoods, state lines) or physical boundaries (mountains, lakes)
- 2) Examine demographic characteristics
 - Age 75+
 - Age 65 to 74
 - Age 45 to 64
 - Growth rates
 - Incomes
 - Education
- 3) Evaluate supply – quantitative and qualitative review
- 4) Estimate demand – based on national research on likeliness to move within various income and age categories
- 5) Ask the consumers!

Demographic Characteristics of the PMA

Compare general PMA data to state and national benchmarks

Population	PMA (Suburb of Washington DC)	State	U.S.	Relative Difference PMA and State	Relative Difference PMA and US
% Total Population 65+ (2014)	13.9%	13.2%	13.9%	4.9%	-0.3%
% Total Population 75+ (2014)	5.4%	5.4%	6.1%	-1.0%	-11.4%
Forecasted Pop Growth all ages (2014 to 2019)	5.1%	4.4%	3.3%	16.7%	53.7%
Forecasted Pop Growth age 65+ (2014 to 2019)	23.6%	20.2%	16.3%	16.5%	44.8%
Forecasted Pop Growth age 75+ (2014 to 2019)	14.8%	12.7%	9.0%	17.1%	65.7%
Median Household Income (2014)	\$130,984	\$62,321	\$49,297	110.2%	165.7%
Median Home Value (2014)	\$569,306	\$229,428	\$171,345	148.1%	232.2%
% of Labor Force Employed (previous year average)	95.0%	92.4%	90.1%	2.8%	5.4%
% of Population with Bachelor's Degree	30.8%	20.3%	17.7%	51.7%	74.0%

Demographic Characteristics of the PMA

Analyze PMA data for various household groups and compare to state and national benchmarks

Household Groups	PMA (Suburb of metro area in North Carolina)	State	U.S.	Relative Difference PMA and State	Relative Difference PMA and US	
AL & MC	% Households Age 45 to 64	39.8%	38.5%	39.5%	3.4%	1.0%
	% Households Age 45 to 64 with incomes > \$100k	43.9%	18.8%	26.3%	134.1%	66.6%
	Forecasted % Change in HHs Age 45 to 64 with incomes >\$100k (2014 to 2019)	16.7%	5.2%	7.1%	219.6%	136.7%
	Age 45 to 64 Households Median Annual Income	\$96,471	\$50,901	\$61,779	89.5%	56.2%
Age- qualified apartments	% Households Age 65 to 74	8.0%	13.1%	12.8%	-38.8%	-37.4%
	% Households Age 65 to 74 with incomes > \$50k	59.8%	34.7%	40.8%	72.0%	46.6%
	Forecasted % Change in HHs Age 65 to 74 with incomes >\$50k (2014 to 2019)	42.5%	22.1%	26.3%	92.1%	61.3%
	Age 65 to 74 Households Median Annual Income	\$60,070	\$35,921	\$41,317	67.2%	45.4%
IL, AL & MC	% Households Age 75+	5.6%	10.0%	10.7%	-43.5%	-47.3%
	% Households Age 75+ with incomes > \$35k	54.1%	33.1%	37.5%	63.6%	44.4%
	Forecasted % Change in HHs Age 75+ with incomes >\$35k (2014 to 2019)	24.0%	13.6%	13.5%	76.4%	78.0%
	Age 75+ Households Median Annual Income	\$39,640	\$24,096	\$27,094	64.5%	46.3%

Evaluating Existing Supply

Quantitative data can only tell you so much – number of properties, number of units, etc. It will **not** reveal how competitive each community might be with the proposed development or help truly assess the market potential for a particular product.

For instance, within this PMA there are 545 assisted living units...but not all are equal. They vary in price, amenities, services, appearance, and are likely not even targeting the same customer.

A site visit to the market area is a must, to assess each competitor's:

- Physical plant
- Age of property
- Apartment size
- Pricing
- Aesthetic appeal
- Programming & services

Product	Number of Units	% of total
Senior Apartments	94	8%
IL Units	388	34%
AL Units	545	48%
MC Units	109	10%
TOTAL	1,136	100%

Property Attributes rated on scale of 1 – 4 (poor to excellent)	Property A	Property B	Property C
Building design	2	2	3
Exterior condition of building	3	2	2
Interior condition of building	2	4	2
Entry (ambience & lighting)	3	4	1
Dining Areas	3	4	2
Common Areas	2	3	1
Interior finishes in apartments	2	4	2
TOTAL RATING	17	23	13

Estimating Demand

How many people will move to your project? How many units should you build?

- The PMA contains 5,780 households headed by someone over age 75.
- 2,292 households age 75+ have incomes over \$35,000 per year.

Many feasibility studies stop here.

But not all households over age 75 with a specified minimum income are alike or make the same decision.

How ProMatura Estimates Demand

- Based on national research and telephone studies regarding “likeliness to move” to assisted living and independent living communities
- Estimate demand for various household income increments beginning at \$15,000; separates households age 75 to 84 from those over 85
- Project annual demand – those that are likely or very likely to move within a 1-year time period

Households by Income	Age Bracket		TOTAL
	75 to 84	85+ HH	
Less than \$15,000	725	586	1,311
\$15,000 to \$24,999	685	422	1,107
\$25,000 to \$34,999	683	387	1,070
\$35,000 to \$49,999	534	178	712
\$50,000 to \$74,999	615	228	843
\$75,000 to \$99,999	318	82	400
\$100,000 to \$124,999	130	58	188
\$125,000 to \$149,999	28	6	34
\$150,000 to \$199,999	50	12	62
\$200,000 or more	35	18	53
TOTAL	3,803	1,977	5,780



Conclusion

SAMPLE MARKET	2014	2019
TOTAL Estimated <u>Annual</u> Demand for Assisted Living within PMA	324	373
Number of Units Deemed Competitive (<i>after qualitative review</i>)	280	280
Turnover Among Competitive Units Each Year (<i>ASHA median for AL</i>)	152	152
<u>Annual</u> Market Opportunity for Additional Assisted Living Units	172	221

ProMatura demand model estimates demand for Assisted Living within the PMA at 324 units in 2014, growing to 373 units in 2019 (with an increased number of households age 75+). The regular turnover from existing competitive units will likely capture 152 of those units each year, leaving the market opportunity for a new project at 172 units in 2014, and 221 units in 2019.

Other considerations in planning the project:

- What demand might there be from outside the primary market – examine migration patterns, possible pull from secondary markets
- Affiliation – with a university, religious group, or a community focused on the arts, volunteerism, etc.
- Direct consumer research – ask your customers. Through surveys, focus groups and research seminars pinpoint exactly what features the prospects want most and what they are willing to pay.

THANK YOU

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