



## Chancery Monthly

February 2020 (Issue No. 27)

### INDUSTRY INSIGHT

#### Assisted Living Outshines Active Adult in Eyes of Investors

By Chuck Sudo

Assisted living has rebounded as a favorable product type with senior housing investors and has even overtaken active adult communities as demand for assisted living grows and new construction begins to slow.

Assisted living surpassed memory care and active adult as an investment focus and trails only independent living as the most popular senior housing product type, according to the 2020 Senior Housing Outlook Report.

The report is based on responses from 330 senior living professionals surveyed in December 2019 and January 2020 by Senior Housing News in collaboration with New York City-based Hunt Real Estate Capital.

The warming interest in assisted living among investors marks a turnaround from last year's survey and supports recent data that the product type has turned a corner after years of new supply hitting the market. Last year, active adult was second only to independent living among



participants in the survey. Assisted living placed fourth among respondents, behind memory care.

Assisted living occupancy has suffered in recent years due to various factors, including a wave of new supply that has hit various markets around the country. But from a historic low point, AL occupancy has begun to perk up. Assisted living occupancy in the fourth quarter of 2019 rose to 85.7%, according to data from the National Investment Center for Seniors Housing & Care (NIC). Assisted living net absorption for the full year was at its strongest levels since NIC began reporting data, Chief Economist Beth Burnham Mace told Senior Housing News last month.

NIC's Q4 2019 data revealed varied dynamics across major markets and a gradual decline in construction starts, which is expected to bear fruit in higher occupancy rates.

Occupancy growth is also supported by the expectation that new construction starts – which have been building steadily for the past decade – are starting to slow down. Now more than ever, a thorough understanding of local markets, from demand to the emergence of new competing properties such as active adult communities, is essential when evaluating projects," Lancaster Pollard Senior Managing Director Jason Dopoulos told SHN.

Independent living continued to be the most attractive investment asset among investors, with 29% of respondents indicating they prefer the product type. Active adult fell to third in this year's survey, with 20% of investors indicating they would seek out opportunities in the sector. But this marked only a percentage point drop from last year's survey.

Investors such as The Carlyle Group have emerged as major players in the active adult space. The investment firm works with several partners in the space, including with Greystar on its Overture brand. Over the past four years, Overture has rapidly scaled, with 40 communities across 13 states now listed on the Overture website.



Staffing remains the biggest challenge

Among the challenges facing the industry, staffing was far and away the greatest concern among respondents; 40% indicated that staffing was the top challenge facing the industry in 2020. Across the country, markets are contending with low unemployment rates and wage pressures from within and outside the industry.

"We continue to hear that staffing remains a top challenge for operators, which is not surprising considering how tight the labor markets are with unemployment now at its lowest point in 50 years," Dopoulos said.

The 2020 Outlook Report gauged industry sentiment across a range of topics. Other findings include:

- Thirty-four percent of respondents plan to buy senior housing properties in 2020, while 17% indicated they would entertain selling their assets.
- Private equity and the publicly traded REITs will continue to drive investment. Thirty-eight percent of respondents expect private equity to remain the top investor in senior housing, followed by public REITs at 34%.
- New construction is starting to outpace renovation of old properties as a growth strategy. Thirty-three percent of respondents said new construction would be the best growth strategy, while 22% preferred renovating and repositioning existing buildings.

*Original Article:*

<https://seniorhousingnews.com/2020/02/06/assisted-living-outshines-active-adult-in-eyes-of-investors/>

## PROJECT UPDATE

### The Bartlett Seniors Apartment Project

*The Bartlett Seniors Housing Complex will be a 129-unit apartment building designed for active senior living, located at 550 Bond Street in Oshawa, ON. The Bartlett represents an affordable alternative to conventional seniors housing, offering services that permit seniors to live independently, on an à-la-carte basis through a concierge, in a regular apartment building, while providing the comfort to seniors and their families that care will be available in short order should the need arise.*

- The ground floor firewalls have been inspected. The framing is almost complete with mechanical and electrical rough ins to be completed by the end of next week.
- Second floor interior framing with showers and tubs are being installed into framed units.
- Drywall, electrical and mechanical crews have all increased to meet the demands at the site.
- The east elevators are over 50% complete.







## The Middleton Seniors Apartment Project

*The Middleton will be a 122-unit apartment building designed for active senior living. It represents an affordable alternative to conventional seniors housing, offering services that permit seniors to live independently, on an à-la-carte basis through a concierge, in a regular apartment building, while providing the comfort to seniors and their families that care will be available in short order should the need arise.*

- We have commenced shoring on the site.
- The dewatering trench and drain pits are installed and pumping to extract the excess water from the ground, after which the mass excavation will be carried out.
- Temporary electrical systems were installed in January.
- 98% of the contracts from the trades are under review by our General Contractor. We expect moderate hard cost increase based on the current market condition but have reserved adequate contingency for such increase. We engaged a third party to review the tender bids to ensure that we are doing everything possible to keep costs within budget.





*Chancery Seniors Housing Investments Inc. is a private real-estate investment firm with a focus on seniors housing. Powered by its two strong founding partners, Suske Capital Inc. and LD Capital Corp., Chancery creates a team with the expertise and experience of over 55 years in real estate and seniors housing developments with an estimated completion value of over \$5 billion.*

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