



## Chancery Monthly

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### INDUSTRY TREND

#### Top Senior Housing Trends for 2020

By Tim Mullaney

Expect the winds of change to blow harder than ever through the senior housing industry in 2020.

With each passing year, the wave of baby boomer demand draws nearer, attracting more capital and a greater diversity of talent to senior housing. In 2020, the pioneering companies that started the industry may still have a leg up due to their hard-won expertise, but they will find themselves tested by new and disruptive entrants focused on delivering a next-gen product. In addition, there are question marks hanging over the economy, and a race to seize major market share that is available in the active adult and middle-market sectors.

In compiling the following predictions and top trends for 2020, it was clear that the list of risks and challenges facing the industry is long but is balanced by an equally robust set of opportunities. Struggling providers will need to take urgent steps or they will fall further behind those taking calculated risks to succeed in the dawning of a new decade for senior living.

#### A disruptor puts the industry on notice

Tech behemoths such as Amazon and Apple have been making moves into the senior health care space and could eventually disrupt senior living — as several industry leaders have warned. And last year, Reddit



co-founder Alexis Ohanian — who now runs a venture capital firm — predicted a decade of “major change” is on the way for senior living, and he foresees the rise of a disruptive, tech-forward senior brand.

In 2020, the disruption threat level will rise. In fact, expect a start-up to burst on the scene with major VC backing and an innovative model that gets entrenched operators quaking.

This scenario played out several years ago in the home care space when Honor raised \$20 million. While Honor has not upended home care as some feared, its emergence forced legacy players to view their business through a new lens. For an idea of what a senior living disruptor might look like, consider what The Embassies of Good Living is trying to build.

Independent living starts to look obsolete

Independent living occupancy held up better than assisted living during the last few years, fueling strong investor interest. However, 2020 will give rise to some hard questions about this part of the continuum.

In spring 2018, industry experts pointed to growing interest in active adult as a potential threat to independent living. Because acuity has risen in independent living, today’s active adult resident resembles the IL resident of a decade ago, NIC’s Lana Peck observed.

Over the course of 2019, the active adult sector became red hot. A Summer 2019 CBRE survey showed declining investor interest in IL on a year-over-year basis compared with a sizable surge in active adult interest. Meanwhile, active adult rental property growth is being driven by big money from the likes of Carlyle Group and other private equity players and REITs.

In 2020, active adult will continue to heat up, and on-demand, gig economy services and new technologies will continue to make this operational model even more viable in the years ahead.



Some active adult players argue that they are not competing directly with independent living, but expect developers, investors and operators to question the value proposition of IL communities that have higher labor and dining costs and shorter length of stay than active adult, yet lack the needs-based demand and recession resilience of assisted living.

That said, independent living is not going to falter overnight. It's a robust sector, with about 11,000 new units opening between 2017 and 2018, according to NIC data. Still, there are already challenges on the horizon. As of Sept. 2019, initial rent discounts in IL were at their highest level, on average, since NIC began reporting this data in 2015.

Anything goes in adaptive reuse

Adaptive reuse projects have converted a wide array of buildings into senior living over the years, from hotels to schools to factories. In 2019, more types of real estate joined this list, with defunct malls, closed universities, former farms and historic psychiatric hospitals all becoming senior housing.

In 2020, senior living will be chosen as the next use for an even more surprising variety of buildings. This trend will support the growth of urban senior living (see the Watermark redevelopment of a former Jehovah's Witnesses building in Brooklyn, pictured above). It will also fuel the active adult rental boom, as converting to lower-acuity settings comes with fewer design limitations and demands than assisted living.

Look for design creativity to flourish as development teams seek to preserve community landmarks even as they transform them to senior housing. While this can come with significant costs, the payoff is senior housing that is more integrated into the community, in buildings that have emotional resonance for those who move in.



Famous brand puts its stamp on senior living

Brand crossovers are gaining momentum in the hospitality world, with Equinox Hotels building on the fitness and wellness brand, and West Elm Hotels channeling the “unique and highly identifiable” furniture retail brand. As with other hospitality industry trends and practices, this one will eventually take hold in senior living. Expect 2020 to be a watershed year, with the first big announcement of a superstar brand putting its stamp on senior living.

The brand crossover might take the form of a well-known hotel company putting its name on senior living buildings. While companies such as Hyatt have had their names on senior living in the past, the time is now ripe for another iteration of this play, because more than previous generations, baby boomers have a tenacious loyalty to their favorite brands. While senior living is known as a local business, the wave of aging boomers may begin to challenge this notion by favoring housing that holds the promise of quality that they associate with respected hotel brands. With the world’s first standalone Four Seasons Residence underway, it does not seem ridiculous to envision a Four Seasons Senior Living — although perhaps “senior” would be dropped for a more subtle reference to the age of residents.

*Original Article:*

*<https://seniorhousingnews.com/2020/01/01/top-senior-housing-trends-for-2020/>*

## Project Updates

### Stony Plain Project Update

*Stony Plain Active Adult Lifestyle Community is located just west of Edmonton, Alberta. When complete, the residence will be a 6-storey apartment building with 83 Active Adult Lifestyle Community suites. It will offer In-suite 24-hour emergency call systems, a recreation facility, housekeeping, laundry services, on-site management and maintenance. A main floor of commercial and retail space will provide residents with easy access to amenities such as a doctor's office, pharmacy, bistro or coffee shop. Below is the progress update and pictures from the site.*

1. We have completed the roof deck and roof penthouse.
2. We have completed installation of residential windows all the way up to the sixth floor.
3. We are currently working on interior framing and mechanical/electrical rough ins on the fifth floor.
4. We made the fifth draw of the senior loan in late November.
5. The pre-leasing of suites has exceeded all expectations and is 78% complete. We are looking forward to the opening of Stony Plain Three Robins in Q3 2020!
6. Strata documentation for the library is underway and we are targeting a late February sale to the Town of Stony Plain.





## Surprise Project Update

*Chancery is partnered with long time Suske Capital partner, Avenir Senior Living, in the development of this 32-bed geriatric behavioral hospital in Surprise, Arizona.*

*The Surprise Behavioral Hospital will benefit from its proximity to Surprise Memory Care, which is located on the adjacent land. The Surprise Memory Care community will provide referrals to the hospital, and the hospital will allow for higher level of care for the existing residents of Surprise Memory Care.*



Over the last quarter, the occupancy of our hospital has seen steady growth where we recorded an average daily occupancy of 4.8, 6.0 and 7.7 patients in October, November, and December, respectively.

The Medicare adjudicator is scheduled for a site visit in the week of the January 13, 2020. Upon successful review with satisfactory results, the hospital will be able to apply for Medicare and start to receive reimbursements for work we have been doing since opening.

We are happy that the hospital continues to meet our expectations with respect to revenue and profit margin, thanks to the improvement in occupancy and per-patient revenue. The management team and staff at the hospital are working hard to stabilize the facility and we have every confidence in their ability to deliver.

## Lindsay Seniors Residence Update

*Lindsay Retirement Residence will offer Independent and Assisted Living accommodations and will include a variety of spacious suites and amenity spaces. There is also potential to include several Memory Care Units that will provide additional care options for the seniors in Lindsay and offer a full continuum of care model. The facility will offer a full compliment of Dietary, Wellness and Life Enrichment programs tailored to meet the needs of the community and the residents.*

The developer has been working hard with the architects and engineers and submitted the Site Plan Application to the City of Lindsay in December 2019. The City confirmed receipt in early January 2020 and is expected to return the first round of comments by February 2020.

Immediately after receipt of the Site Plan Approval, the developer will commence shop drawings to ready the construction.

The land acquisition financing was successfully completed in August 2019. We anticipate commencing the equity raise and debt financing in March 2020 to fund the development and lease-up of the project.

*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.*

*For more information about our company and projects, please visit [www.chanceryseniors.com](http://www.chanceryseniors.com)*